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ABSTRACT

This first volume of a three-volume report of the National Commission for Manpower Policy on Public Service Employment (PSE) contains the commission's findings and recommendations. This document is divided into four sections. Section 1 includes the letter of transmittal sent to Congress and a summary of the findings. Section 2 contains a full report of the commission's findings and recommendations with respect to the role of PSE in national manpower policy and programming, the net employment effects of PSE, and the future of PSE. Section 3 provides an overview of the issues and evidence of PSE. This section contains a brief description of the historical antecedents, identifies the various objectives which PSE has been intended to serve and evaluates the success of the program in achieving each of these objectives, identifies the problems involved in implementing the program through a decentralized delivery system, and summarizes the issues considered by the commission. The fourth section contains the commission's field reviews of PSE. It summarizes the four reviews under the following general headings: the net employment effects of PSE; targeting, training, and transition; wages and output; program administration; community organizations; and future directions for PSE. (BM)

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An Interim Report to the Congress of the

National Commission for Manpower Policy

Job Creation Through Public Service Employment

Volume I

Summary of Findings and Recommendations

Report No. 6

National Commission for Manpower Policy
Suite 300, 1522 K Street, N.W.
Washington, D.C. 20005

March 1978

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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OE 015 898

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PREFACE

The report of the National Commission for Manpower Policy on Public Service Employment consists of the findings and recommendations of the Commission together with the supporting documents listed in the Table of Contents which follows. As noted there, the full report is organized into three volumes. Volume I contains the Commission's findings and recommendations. It also includes an overview of the research completed as part of this study and a summary of the Commission's field reviews on PSE. Volume II contains the interim report of The Brookings Institution to the Commission based on their onsite monitoring of the program. Volume III contains the other papers prepared for the Commission's use by various scholars in the field.

The Commission wishes to thank its staff and all of its expert consultants for their work in making available the information and careful analysis on which the following findings and recommendations are based.

The Commission acknowledges with special thanks the outstanding contribution of Mr. Timothy Barrow, who served as chairman of its task force on public service employment, and his colleague Dr. John Porter. Mr. Patrick O'Keefe, Deputy Director of the Commission, provided excellent staff support.

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NATIONAL
COMMISSION
FOR
MANPOWER
POLICY

March 22, 1978

TO THE CONGRESS OF THE UNITED STATES:

Pursuant to the Emergency Jobs Programs Extension Act of 1976 (Public Law 94-444), the National Commission for Manpower Policy hereby transmits its findings and recommendations on the net employment effects of Public Service Employment (PSE). The scope of its inquiry was determined after consultation between Senator Bellmon, the sponsor of the amendment requiring the study (Section 15 of PL 94-444), and the Chairman of the Commission.

In complying with this request of the Congress, the Commission pursued several complementary approaches: it held four regional field hearings in the fall of 1977; it entered into a contract with The Brookings Institution to survey PSE operations in a structured sample of 42 political jurisdictions, urban and rural, large and small, with different levels of unemployment; it commissioned a series of papers by expert consultants to illuminate critical policy issues; it undertook in-house studies and analyses.

This report primarily reflects conditions during the summer and fall of 1977 when PSE was being rapidly expanded and when program operators were increasingly relying on the new "project approach" and on the tightened criteria for the selection of enrollees as provided by PL 94-444.

While the members of the Commission are in broad agreement as to the thrust and direction of the findings and recommendations contained in this report, it should be noted that this does not imply that every member subscribes entirely to the specific content and wording of each of the recommendations. However, the report does represent a consensus of their views.

The principal findings and recommendations of the Commission are summarized in the following section. The highlights follow:

---PSE is an important tool of national manpower policy which is particularly useful for providing work opportunities for the structurally unemployed, that is, individuals who face the greatest difficulties in obtaining regular jobs.

---The CETA system has demonstrated a capacity to expand PSE rapidly, at the rate of 45,000 positions a month, up to an operating level of around 725,000 jobs. This reflects favorably on the capacity of the decentralized employment and training system to respond to a much expanded national goal. Further, public service employment contributed to the President's program to stimulate the economy and especially to providing employment opportunities for disadvantaged groups. However, a balanced assessment of PSE will require more time to determine the effectiveness with which enrollees obtain regular jobs and the ability of an expanded program to contract as the economy improves.

---Despite widespread impressions to the contrary, local employing agencies have not used federal funds to displace workers whom they would otherwise have paid from their own resources. As estimated by The Brookings Institution in July of 1977, the overall job displacement rate was 18 percent and under the expanding project approach it was only 8 percent.

---PSE enrollees are engaged in a wide range of useful work assignments and there have been few reports of "leaf-raking" jobs.

There are important aspects of PSE which the Commission will be able to study and report on only after more experience has been accumulated, such as the optimal scale of the program, and the effectiveness with which PSE enrollees obtain regular jobs. The Commission will forward additional findings and recommendations to the Congress once it has obtained and reviewed further new information pertaining to these issues.

ELI GINZBERG
Chairman

SUMMARY

With respect to the "net employment effects" of public service employment (PSE) the Commission finds that:

1. To date, federal funding has not resulted in large-scale job displacement whereby prime sponsors substitute federal funds to pay for jobs which they would otherwise fund out of their own resources. According to The Brookings Institution's study, in July 1977 the overall job displacement rate was 18 percent and the displacement rate on the new project approach was only 8 percent.

2. Where job displacement has occurred, this has resulted in some fiscal relief for local government, primarily in the form of tax stabilization or tax reduction.

3. The foregoing findings about job displacement and fiscal substitution suggest that they are less of a problem than was previously believed. Earlier estimates of job displacement, based on econometric studies, were reviewed by the Commission's consultants and found to be flawed.

4. Most PSE enrollees are employed in essential activities, such as public safety or public works or in important educational, health, social, or cultural assignments. The remainder are employed in park maintenance and recreation. They generally are on jobs

that require less skill than those held by regular government workers.

5. At the time the Commission made its study, there was a serious lack of data about important aspects of the program, including the experiences of PSE enrollees after they leave the program. From the scattered information available, the Commission's staff estimated that to date about one out of three enrollees in CETA public service employment programs obtained an unsubsidized job in the public or private sector immediately after leaving the program.

6. A number of personnel managers for local government agencies have found that the large pool of PSE workers facilitates their identifying good candidates for their regular positions and also helps them to meet their affirmative action goals.

7. Increased requirements for enrolling the structurally unemployed under PL 94-444 and the expanded use of community based organizations (CBOs) is resulting in a significantly higher proportion of minority group members on PSE jobs.

In light of the foregoing findings, the Commission recommends the following to the Congress:

1. *That PSE be used as a major instrument of national manpower policy and programming*

primarily for the purpose of providing interim employment opportunities for structurally unemployed persons and that Congress adopt the amended eligibility criteria established in the Emergency Jobs Programs Extension Act (PL 94-444) for all PSE positions.

2. The establishment of a policy of automatic increases and decreases in the number of PSE jobs in response to changes in the national level of unemployment but with the same eligibility criteria enumerated in recommendation number one above.

3. That Congress fund the recently expanded PSE program at the level of 725,000 jobs through Fiscal 1979 which will provide additional time for assessing the optimal size of such a program under the CETA system.

4. That local sponsors be required to provide remedial education and skill training to enrollees in need of such assistance, and that they be directed to involve local employers more actively in the planning of local PSE programs so that they can contribute to designs aimed at improving transition.

5. That the wage structure emphasize the following components:
   ---Wages be set at levels which will not discourage enrollees from seeking alternative employment or from suffering wage decreases

when they move into regular jobs.

---Consideration be given to providing some wage increases when a person is on PSE, especially if he or she is assigned increased responsibilities.

---The ceiling of $10,000 of federal subsidy for a PSE job, as in the current legislation, be continued, and the scope for local supplementation above that sum be limited to no more than 15 percent of all funds to provide elasticity for adjustments where this is necessary to take into account regional wage differences.

6. The forward funding of PSE on the ground that such action will enable local sponsors and their program managers to improve their design of PSE programs, improve their selection of enrollees, and strengthen their management procedures with the aim of contributing to the employability of their clients, increasing their productivity, and containing the costs of the projects.

7. That Congress seek to increase and improve the program information that is available by stipulating the types of information that it requires for overseeing the program and for gauging its effectiveness; making the requisite resources available to the Department of Labor and to the prime sponsors for the collection and analysis of the required data;

by prescribing, as a condition of continued funding, that federal grantees furnish the required information, including data on their regular budget and employment, on a timely basis; and by establishing procedures for the periodic review of the assessments and evaluations prepared by the Department of Labor and other responsible federal agencies such as the General Accounting Office.

COMMISSION FINDINGS AND RECOMMENDATIONS

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I. INTRODUCTION

From its establishment in the fall of 1974, the Commission has been concerned with the potentialities and limitations of PSE in the evolution of a national manpower policy. Reference is made specifically to its Interim Report to the Congress on Public Service Employment and Other Responses to Continuing Unemployment, June 1975, and to its Second Annual Report to the Congress: An Employment Strategy for the United States - Next Steps, December 1976.

In responding to the Congressional directive of PL 94-444, passed in June 1976, to study the "net employment effects" of PSE, the Commission was able to use its earlier work as a point of departure for assessing the new developments that were taking place in the PSE program as it was undergoing major transformations. In designing the inquiry that Congress requested, the Commission followed a broad strategy to provide a wide range of inputs, including new data which would reflect current program experience, theoretical analyses of the effects of PSE relative to other types of economic stimulis, a study of the impact of administrative arrangements in CETA on program operations, and field hearings to enable members of the Commission to hear first-hand about PSE from representatives of state and local governments, community based organizations, trade unions, employers and others with special knowledge.

The seven supporting documents contained in this three-volume report are integral parts of the Commission's report to the Congress, since many of the Commission's findings and recommendations were informed by these

materials and analyses. By making these supporting documents available to the Congress, the Commission is fulfilling an important ongoing responsibility which it accepted from the outset, namely, to contribute to enlarging the knowledge of critical aspects of the changing manpower scene.

Senator Bellmon, the sponsor of the amendment which directed the Commission to undertake this study and report its findings and recommendations to the Congress on the "net employment effects of PSE" was concerned with the following issues:

---To what extent are federal funds for PSE leading to net job creation? To what extent are these funds substituted by local agencies for their own funds, thereby resulting in job displacement?

---Who is getting PSE jobs; are they those most in need of employment assistance?

---What kind of work are they doing? Are they engaged in adding to useful public sector output?

---What happens to PSE enrollees when their period of enrollment on PSE comes to an end? Do they succeed in obtaining regular jobs in the public, nonprofit or private sectors?

---At what level should Congress fund the PSE program and what types of administrative or other changes might result in increasing the effectiveness of the program?

Since PL 94-444 introduced major changes in the design of the PSE program, with respect to both targeting on the structurally unemployed and favoring the project mode and since the President's Economic Stimulus Package, passed in May 1977, provided for more than a doubling of the program from 310,000 to 725,000 jobs, the Commission, the Brooking's monitoring group, and the Commission's consultants have had to study the PSE program during this rapid transformation. The Commission is able to provide answers to the above-listed questions based on operations as of the second half of calendar year 1977, but these answers must be viewed as tentative until more information is at hand and more analyses have been completed. Therefore, this report must be considered as a preliminary, not a final, response to the directive contained in PL 94-444. The Commission will advise the Congress further once it has completed additional analyses of new information and after The Brookings Institution submits its final report to the Commission at the end of 1978.

II. THE ROLE OF PSE IN NATIONAL MANPOWER POLICY AND PROGRAMMING

The Commission notes that the effectiveness of PSE has been diluted in the past because it has sought to accomplish many different goals, including some that have been contradictory, such as providing jobs for regular members of the work force who are temporarily unemployed, improving the employability of the structurally unemployed, and helping jurisdictions in fiscal distress maintain essential services.

Therefore, the Commission recommends (1) that PSE be used as a major instrument of national manpower policy and programming primarily for the purpose of providing interim employment opportunities for structurally unemployed persons and that Congress adopt the amended eligibility criteria established in PL 94-444 for all PSE positions. In making this recommendation, the Commission intends to insure that the program serve those who experience special difficulties in obtaining regular jobs in the private or public sector. Such persons include men and women with limited competences and work experience who are unable to find regular jobs in their community; workers whose jobs have been eliminated by imports, or by technological and other changes and whose job opportunities are limited; employable persons on welfare who cannot obtain a job in the private sector; and members of other groups with unduly high unemployment rates, such as Vietnam veterans.

The Commission's recommendation that PSE has a central role to play in assisting the structurally unemployed is predicated on the following assumptions:

---It is better for persons who have been unemployed for long periods of time to work than to receive income transfer payments.

---It is desirable for the community to enjoy the social output which PSE workers are able to contribute.

---It is generally easier for a person to move into a regular job if he or she has spent a year or so on PSE rather than in enforced idleness.

In its Second Annual Report to the President and the Congress (December 1976), the Commission recommended that one component of a four-part "permanent standby antirecessionary program" be "a program of antirecessionary public service employment, involving federal, state and local governments, nonprofit agencies and community organizations" (p. 7).

Since the number of individuals who face severe employment handicaps will increase in a moderate or deep recession and should decline in periods of expanding employment, and since differentially high rates of unemployment between groups and among areas points to the need for selective employment policies if jobs for the unemployed are to be developed without generating excessive inflationary pressures, the Commission recommends (2) the establishment of a policy of automatic increases and decreases in the number of PSE jobs in response to changes in the national level of unemployment but with the same

eligibility criteria enumerated in recommendation number one above.

The nation's experience with an expanded PSE program should yield valuable new insights about the effectiveness and appropriate design of selective employment policies. However, the Commission reaffirms its earlier views that primary reliance for countercyclical action should continue to be placed on macroeconomic policies; that countercyclical revenue-sharing might be a better mechanism to avoid the fiscal undermining of vulnerable jurisdictions; that experience has demonstrated the advantages of continuing to rely on unemployment compensation benefits as the primary source of income support for those who are regularly attached members of the labor force. The newly constituted National Commission on Unemployment Compensation is in a position to explore how this temporary income support system can be strengthened.

The Commission recommends (3) that Congress fund the recently expanded PSE program at the level of 725,000 jobs through Fiscal 1979 which will provide additional time for assessing the optimal size of such a program under the CETA system. The Commission notes that the 725,000 figure does not include several additional categories of closely related types of PSE jobs: those funded under Titles I and III of CETA; the several titles of the Youth Employment and Demonstration Projects Act (1977); Title IX of the Older Americans Act; and the Administration's request for 10 demonstration sites to test the jobs component of welfare reform. The inclusion of these several groups

would bring the PSE total closer to 1.2 million jobs.

The Commission notes that the scale of an optimal program of PSE will have to be considered in light of the Administration's welfare reform proposal which looks to the creation of 1.4 million PSE jobs at or near minimum wages to provide employment opportunities for the principal wage earner in every needy family with children.

Since the Commission looks upon PSE as providing temporary employment opportunities for the structurally unemployed, their transition into regular jobs must be the goal. While the length of time enrollees should spend on a PSE position may have to be adjusted in light of conditions in the local labor market, the proposed assignment should be in the range of twelve to eighteen months. Limits on the duration of participation in a PSE job are needed to enable a larger number of people to participate, to encourage enrollees to search for unsubsidized positions, and to limit job displacement.

While a PSE position for this stipulated period may provide the support essential to some workers to facilitate their transition into regular employment, the Commission believes that for other workers with inadequate competences or obsolete skills, it is essential that they be afforded the opportunity to acquire new skills to improve their prospects of obtaining regular jobs. In order to improve the prospects of successful transition, the Commission recommends (4) that local sponsors be required to provide remedial education and skill training to

enrollees in need of such assistance, and that they be directed to involve local employers more actively in the planning of local PSE programs so that they can contribute to designs aimed at improving transition.

The wage structure is a critical dimension for a substantial PSE program aimed at transition. The Commission recommends (5) that the wage structure emphasize the following components:

---Wages be set at levels which will not discourage enrollees from seeking alternative employment or from suffering wage decreases when they move into regular jobs. Thus the wages paid PSE workers should be below but not undermining those of regular employees to reflect the special nature of their assignments and the likelihood that they will need training. Additional reasons for different salary structures for career and PSE workers include the desirability of providing as many job opportunities as possible with available budgetary resources and the importance of avoiding new inflationary pressures.

---Consideration be given to providing some wage increases when a person is on PSE, especially if he or she is assigned increased responsibilities.

---The ceiling of $10,000 of federal subsidy for a PSE job, as in the current legislation, be continued, and the scope for local supplementation above that sum be limited to no more than 15 percent of all funds to provide elasticity for adjustments where this is necessary to take into

account regional wage differences.

The Commission recommends (6) the forward funding of PSE on the ground that such action will enable local sponsors and their program managers to improve their design of PSE programs, improve their selection of enrollees, and strengthen their management procedures with the aim of contributing to the employability of their clients, increasing their productivity and containing the costs of the projects. In its field hearings on PSE in the fall of 1977, the Commission heard repeated testimony from prime sponsors and program managers about the inefficiencies in PSE operations resulting from uncertainties involving current and future financing.

In carrying out its Congressional mandate to assess specific aspects of PSE the Commission was repeatedly frustrated by the lack of accurate and up-to-date information on basic aspects of the program. In part these major deficiencies in data collection and analysis reflect the pressures resulting from understandable if occasionally misguided efforts and exhortations to reduce paperwork. Doubtless, paperwork can and should be reduced, but not at the expense of foregoing adequate reporting on program operations. In part, however, they also reflect the insufficient attention of the Congress during the past decade-and-a-half to the establishment of a basic information system for employment and training programs which would enable its members as well as the general public to assess the effectiveness of various programs.

The Commission recommends (7) that Congress seek to increase and improve the program information that is available by stipulating the types of information that it requires for overseeing the program and for gauging its effectiveness; making the requisite resources available to the Department of Labor and to the prime sponsors for the collection and analysis of the required data; by prescribing, as a condition of continued funding, that federal grantees furnish the required information, including data on their regular budget and employment, on a timely basis; and by establishing procedures for the periodic review of the assessments and evaluations prepared by the Department of Labor and other responsible federal agencies such as the General Accounting Office. While local sponsors and their subcontractors should continue to have primary responsibility for the design, operation, and control of PSE programs, the Commission believes that it would be a dereliction of federal responsibility for the Congress and the Administration to forego exercising informed oversight over the program. Such oversight will require an improved, expanded, and uniform management information system that will support timely analysis of program performance without primary reliance on special surveys.

III. COMMISSION'S FINDINGS WITH RESPECT TO THE NET EMPLOYMENT EFFECTS OF PSE

With respect to the issue of "job creation" via PSE, the Commission found that:

---Most of the federal dollars resulted in new job creation. According to The Brookings Institution interim report, based on a field study in July 1977 of 42 different jurisdictions comprising 16 large cities, 9 small cities, 15 counties, and 2 school districts, 82 percent of all PSE positions represented job creation; only 18 percent were assessed as "displacement", that is jobs which otherwise would have been funded from local or state sources.

---Displacement was much lower than 18 percent in the new 12-month project-oriented PSE positions, which were authorized in the Emergency Jobs Programs Extension Act of 1976. Displacement was calculated at 8 percent in these newer jobs.

---The Brookings report makes a distinction between two types of job creation. One type occurs when jurisdictions use PSE workers to provide new services or to expand existing ones which the field observers concluded would not otherwise have been funded. The second type occurs when a financially hard-pressed jurisdiction uses PSE to maintain current services which, in the judgment of the field observers, would otherwise have been cut back. The first type, new job creation, accounts for 51 percent of the PSE jobs

funded; the second type, job maintenance, accounts for 31 percent of the PSE jobs funded. In other words, of every one hundred PSE jobs created, 51 were new jobs providing new or expanded services, 31 were used to maintain existing services which would have been cut back because of severe fiscal pressures, and 18 displaced regular state or local positions. There is, of course, a substantial element of judgment involved in categorizing jobs as new, maintenance, or displacement, but the Commission is satisfied that these judgments were made by knowledgeable and objective observers who based their careful review on various sources of information.

---The Brookings Associates returned to the field for a second assessment in December 1977. While these detailed reports are being analyzed and will not become available until Brookings submits its final report to the Commission in December 1978, the oral reports of the Associates at their February 1, 1978 conference (Volume II) did not indicate any striking changes with respect to job creation between July and December 1977. The greater reliance on short-term projects appears to contribute to a higher proportion of federal funds being used for job creation. On the other hand, the longer the PSE program remains in effect, the greater will be the opportunities for program managers, especially those responsible for

regular governmental functions, to absorb PSE workers into jobs that would otherwise be performed by workers on the regular payroll, and this implies that federal funds would be used for displacement.

The Commission was specifically asked to assess the econometric studies which had earlier sought to estimate the amount of "displacement" over time. The Commisssion contracted with Professors Michael Borus and Daniel Hamermesh to undertake a critical review of the econometric literature and a copy of their report is included in Volume III. Their review calls into question widely quoted estimates of very high displacement, rates approximating 100 percent at the end of 24 months. They point out that the manner in which the models are specified, and the data used, leads to widely varying results. They conclude that existing econometric studies of displacement are not precise enough to be used for policy guidance and the Commission agrees with their conclusion. In fact, the Commission believes that too much credence should not be placed on any set of estimates pertaining to the magnitude of displacement since all methodologies have inherent limitations.

The Commission also notes that while the rate of job creation through the use of federal funds would be a critical criterion in assessing the value of PSE as a countercyclical program, it is less relevant in assessing a program focused on the structurally unemployed. Even if there were a 100 percent substitution of federal for local dollars, prime sponsors might be adding structurally unemployed persons to their

regular payrolls which would certainly enhance their job and career prospects. This is an important goal in any program directed at helping the structurally unemployed.

The Commission was also asked to report on the types of unemployed persons who got PSE jobs, what functions they performed, and what happened to enrollees after they left PSE. On the basis of incomplete information stitched together primarily from the interim report of The Brookings Institution, from tabulations that the Bureau of the Census is preparing for the Department of Labor through its special Continuous Longitudinal Manpower Survey, from some limited program data, and from testimony presented to the Commission at its field hearings the following tentative answers are submitted:

---Using the criterion of low income, between one-half and two-thirds of the enrollees are disadvantaged. Using the criterion of less than 12 years of education, only about one-fourth of PSE enrollees can be judged to be disadvantaged. The build-up of PSE under the tighter targeting of PL 94-444 and the greater involvement of community based organizations in operating projects is leading to the increased enrollment of minorities, many of whom are probably disadvantaged.

---In terms of the work that PSE workers perform, the Brookings Report, covering approximately 20,000 workers, reveals that about half are engaged in providing primary services, with

job assignments in public safety, public works, utilities, and administrative services; about 20 percent are engaged in providing social or cultural services, including health services; about 15 percent are employed on jobs in parks and recreation; the remainder, another 15 percent, are in education and other fields. For the most part, PSE enrollees work in less skilled occupations.

---Least is known about the transition from PSE, partly because the program reached its peak enrollment only in March 1978 and partly because of the absence of reliable follow-up information about the enrollees once they leave the program. The Department of Labor's Continuous Longitudinal Manpower Survey will begin reporting follow-up experiences for all CETA participants, including those on PSE, in the near future. In the meantime, the Commission's staff estimates that at the time of their termination from PSE about 1 in 3 participants obtained an unsubsidized position in the private or public sector. We do not know, however, whether they had their first position for any length of time, obtained others, dropped back into unemployment or dependency, or made a subsequent successful connection in the job market. An occasional instance has come to the attention of the Commission of a person who was initially enrolled on the Public Employment Program in 1971, who still was on a PSE job in the fall of 1977.

---The Brookings Institution Associates at their February 1978 conference presented evidence which pointed up that some personnel directors in local jurisdictions find PSE an excellent way to enlarge the pool of prospective government employees and then select the best enrollees for regular jobs when openings become available. The Associates further called attention to the fact that because of the high proportion of minorities among PSE workers, various jurisdictions are better able to meet their affirmative action goals. However, it is important that enforcement agencies require that state and local governmental agencies report separately on their regular and PSE workers since the combined totals may overstate the success of minorities in obtaining regular governmental jobs.

---Most prior discussions of the employment-creating effects of PSE have failed to distinguish between initial job creation and the secondary effects which arise as a result of the initial expenditures. Baily and Solow (see Volume III) see this secondary job creation as considerable, roughly double the initial impact, but not significantly greater than the additional job creation from other types of governmental expenditures.

With respect to "fiscal substitution," that is, the use of the dollars freed up by job displacement, the following findings emerge from the Brookings Report.

---The principal outcome of such fiscal substitution has been to enable 14 jurisdictions to stabilize their taxes. Large cities in financial distress dominate this group.

---Three jurisdictions were judged to have lowered their tax rate as a result of the infusion of PSE funds, while four jurisdictions increased their fund balances.

---Many concerned with fiscal substitution do not understand that if a jurisdiction uses PSE dollars to stabilize or reduce its taxes, additional job creation will still take place, although somewhat more slowly and usually outside of the public sector. Individuals whose taxes are not raised or whose taxes are lowered will have more to spend and such spending will also lead to new jobs.

---Several jurisdictions found it possible, because of PSE allocations, to increase their expenditures for operating or capital purposes. In one community through such juggling the political leadership decided to construct an office building that the voters had refused to approve when a bond issue had been placed before them.

---The Brookings study revealed that a major factor contributing to or limiting the degree of fiscal substitution was the ideology and style of the local political leadership. In jurisdictions where the leadership had a

generally negative attitude towards the federal government, looked on federal policy as unstable or erratic, and sought to exercise tight control over local taxes and expenditures, they attempted to segregate PSE and other federal grants from local revenue sources. At the opposite extreme, local leaders decided, out of necessity or preference, to treat PSE funds as part of the total revenues available for meeting the priority needs of the community. The Brookings report clearly states that the large cities in fiscal distress became dependent on PSE funds for the continued financing of essential maintenance functions including public safety and public works.

---In its field hearings the Commission heard testimony bearing on another aspect of how the local leadership deals with PSE funds. In some jurisdictions, PSE funds have been used to finance new desirable services which, when the voters become accustomed to them, cannot be readily eliminated even if the federal dollars are later withdrawn. In these instances the political leadership although it recognizes that it might be forced to increase local taxes, nevertheless expanded these desirable services. In other jurisdictions, the leadership, fearful of community pressures to maintain new services, deliberately sought out PSE activities that would have less potential voter appeal and could therefore be more readily cut off if the federal dollars dried up.

IV. THE FUTURE OF PSE: OPEN ISSUES

The Commission has noted the several places where it has been unable to formulate definitive findings and recommendations because of recent changes in the scale and direction of the program, the lack of reliable data, and the absence of sound analyses. The Commission therefore notes below a selected number of important issues about which it hopes to be able to formulate recommendations in the future, particularly after it receives the final report of The Brookings Institution at the end of 1978 and has had an opportunity to review other up-to-date program information. The open issues include:

---The extent to which PSE enrollees are able to make a successful transition into unsubsidized jobs in the public or private sector and what additional supports, such as remedial education, skill training, and placement assistance, might be required to enable them to achieve a successful outcome.

---Assessing the effects on PSE of the project mode, particularly those operated by community based organizations. Such an assessment would consider the extent of targeting on the structurally unemployed as well as the quality of supervision, worker productivity, and the success of enrollees in transition.

---The extent to which forward funding, if authorized by the Congress, and the greater stabilization of the PSE program that would follow, might lead to a higher rate of job displacement. As noted earlier the consequences might be strikingly different if local governmental personnel officers were to increase their hiring of the structurally unemployed into regular civil service positions than if they were able, because of loose targeting, to cream and hire the same type of applicants as before.

---The extent to which PSE is providing useful community services. Although the Commission found little evidence of "leaf-raking" on PSE, it believes that more attention must be focused in the future on assessing the productivity of enrollees and on the social value of their output.

---The extent to which existing Congressional formulas for distributing PSE funds to assist the structurally unemployed, and areas characterized by high concentrations of such persons, are in fact achieving these goals and how they might be modified to better accomplish them.

---The optimal scale of PSE under varying economic and social conditions. The Administration's welfare reform program looks to the approximate doubling of the present scale of PSE which is currently at 725,000. Implicit in such an expansion is the need to provide meaningful

job assignments and effective supervision for large numbers of unskilled persons in jobs paying the minimum wage. This need raises a host of difficulties which will need to be resolved. However, the Commission supports the Administration's proposal to test the impact of the jobs component in welfare reform through a demonstration program. Further, the Commission believes that the attempt to provide jobs for the primary workers in needy families with children is commendable; this group should receive priority in any move toward a national job entitlement program.

V. CONCLUDING OBSERVATIONS

On the basis of its review of the last seven years of experience with PSE, the Commission is convinced that PSE has a significant role to play in strengthening the nation's manpower policies and programs. The Commission further believes that the Congress and the Administration have been moving in the right direction since 1976 in seeking to improve the targeting of PSE positions on the structurally unemployed. Further it considers PSE a transitional employment opportunity, the aim of which should be to assist enrollees to obtain regular jobs in the private or public sector. There are many open issues, some of the most important of which have been identified above, which must be carefully assessed before additional recommendations can be made to change legislation or regulations. The Commission plans to continue its surveillance of the PSE program and will forward additional recommendations to the Congress once new information is available.

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PUBLIC SERVICE EMPLOYMENT:

AN OVERVIEW OF THE ISSUES AND THE EVIDENCE

This paper was prepared by the staff of the
National Commission for Manpower Policy.

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I. INTRODUCTION

This paper is intended to provide a synthesis of available information and research on public service employment (PSE) programs. It brings together (a) the findings of the expert papers prepared as part of the National Commission for Manpower Policy's study of PSE; (b) the results of the Commission's four field reviews conducted in the autumn of 1977; and (c) the work of the Commission staff in preparation for this study.

The paper attempts to both identify and provide background information on the issues that the Commission was asked to address in its March 1978 Report to the Congress. It relies heavily on the insights and information provided by the Brookings Institution's Monitoring Study in Volume II and by the authors of the commissioned papers in Volume III.

The paper begins by briefly describing the historical antecedents of the current PSE program. It goes on to identify the various objectives which PSE has been intended to serve. Where feasible, the success of the program in achieving each of these objectives is evaluated. Finally, some of the problems involved in implementing the program through a decentralized-delivery system are noted. The concluding section provides a summary of the issues considered by the Commission in its deliberations on PSE prior to submitting its March Report.

II. THE EVOLUTION OF PSE

There are many antecedents for the current CETA-PSE program, but the activities sponsored by the Works Progress Administration (WPA) in the 1930's stand out as an historical precedent. At its peak, the WPA employed over three million workers--more than one-third of all of the unemployed. Its expenditures averaged $1.4 billion annually between its creation in 1935 and its termination in 1943. Looked at in perspective, this is two percent of the 1935 GNP or the equivalent of spending about $40 billion on PSE in 1978.

The primary goal of the WPA was to reduce the relief rolls, although there was also a commitment to skill development or maintenance and to providing useful goods and services. Thus, while the program provided needed income to some 8.5 million workers, it also left behind a solid record of accomplishments: 51,000 miles of roads constructed; 16,000 water and sewer systems put in place; 2,300 stadiums built; and 85,000 public buildings renovated.[1/]

It was not until the enactment of the Emergency Employment Act of 1971 (EEA) that the federal government again became involved in a large scale public job creation program.[2/] Initially funded at $2.25 billion for a two-year period, the public employment program (PEP) authorized under the EEA was passed principally as a countercyclical program in response to the 1970-71 recession. However, it was intended to serve other purposes as well. These included: providing jobs for

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1/ For a brief, but well done, historical review of federal job creation programs, see The Manpower Report of the President, April 1975, pp. 40-51, U. S. Department of Labor, Washington, D. C. Also, see Nathan et al., Chapter 2.

2/ The work experience programs of the 1960's and early 1970's were job creation efforts. However, for purposes of brevity and because of the substantive differences between work experience and PSE programs, they are ignored in this present discussion. They were not inconsequential, however. It is estimated that between 1965 and 1971, in excess of $3 billion was spent on work experience alone.

specific population segments (Vietnam era veterans, youth, older workers, welfare recipients, etc.[3/]); effecting changes in institutional employment practices; and increasing needed public services.

Before the EEA had expired, Congress passed the Comprehensive Employment and Training Act in December 1973. Title II of CETA provided for a permanent, structurally-oriented PSE program targeted on the unemployed and underemployed in areas of substantial unemployment.[4/] Although Title II was initially funded at $370 million, additional sums were appropriated as the economy slid into recession in the autumn of 1974 and the structural focus of the program gradually eroded as virtually every local area became eligible for assistance. The enactment of the Emergency Jobs and Unemployment Assistance Act, creating Title VI of CETA at the end of 1974, completed the transformation of the program to countercyclical purposes and meant that most of the unemployed were eligible for assistance under either Title II or VI.[5/]

Concerned with reports of high rates of fiscal substitution and realizing that the program was not serving the hard-to-employ, Congress attempted to refocus the program in the Emergency Jobs Programs Extension Act of 1976. Under this legislation (PL 94-444), the participant eligibility requirements were tightened so that only the long-term unemployed who were also economically disadvantaged were eligible for new Title VI jobs.

3/ Among the specific target populations were "displaced scientists and engineers" in response to the aerospace cutbacks and the resultant unemployment among workers in those industries.

4/ These are areas with an unemployment rate in excess of 6.5 percent for three consecutive months.

5/ To be eligible under Title VI an individual had to be employed for 30 days or more (15 days if the local unemployment rate was over 7 percent).

The Emergency Jobs Programs Extension Act brought the focus of the PSE program back to the disadvantaged--an emphasis many contend had been lost before it had ever been implemented under the original Act. To confuse matters further, the Congress chose to make these changes in what was originally conceived of as a countercyclical title (Title VI) and the Carter Administration then made this title the centerpiece of its Economic Stimulus Program for 1977. As John Palmer has noted, we are left with the anamoly of a structural title (Title II) which is only loosely targeted (individuals must be unemployed for 30 days or more and live in areas of substantial unemployment) and a countercyclical title (Title VI) which is directed at the needs of the most disadvantaged (under the new Title VI, individuals must be from low-income families and have been unemployed for 15 weeks or more, have exhausted their unemployment compensation benefits, or be members of an AFDC family).

There are several insights which emerge from this brief history of PSE programs. First, the programs have been the fastest growing component of our employment and training programs. From annual budgets of a billion dollars or less for the early EEA and CETA PSE programs, we are currently spending $5.7 billion in FY 1978. (Of course, this still falls far short of the kind of effort which was made under WPA in the 1930's.) Second, the objectives of public service employment have always been many and the focus of the program has shifted frequently, largely in response to changing economic conditions. It is these objectives which we now examine more closely.

III. SORTING OUT THE OBJECTIVES

Any assessment of PSE must begin with a clarification of what it can reasonably be expected to accomplish. Part of its current appeal is that it has been sold as a program which can achieve all things for all people--a fact which is noted by virtually all of the experts who prepared papers for the Commission. The issue is succinctly stated by John Palmer. As he notes, "at the heart of what controversy exists concerning employment and training programs is often a considerable ambiguity about likely program effects and specific program performance objectives. Specification of these as early in the planning process as possible is essential, both to guide program design and implementation and to facilitate program evaluation."

PSE programs have typically been expected to serve both countercyclical and structural objectives. Moreover, as indicated in Table 1, each of these broad categories can be broken down into a more specific set of program goals. Under the countercyclical heading, there is concern with (1) increasing total employment, (2) reducing unemployment, (3) timing these changes so as to minimize cyclical fluctuations in employment, and (4) targeting them in a way that will minimize the risk of inflation. Under the structural heading, one might include concern with (1) focusing employment opportunities on distressed areas and disadvantaged groups, (2) improving the earnings or job prospects of participants, and (3) providing income maintenance or entitlement to a job under welfare reform. Finally, in addition to serving the above purposes, there is the possibility that local communities will benefit from new or improved services or from the fiscal relief which a new injection of federal funds provides. For convenience, the last two outcomes have been lumped under the general heading of "community objectives."

Table 1

THE MULTIPLE OBJECTIVES OF PSE

A. COUNTERCYCLICAL OBJECTIVES

1. Increasing Total Employment
2. Reducing Total Unemployment
3. Timing the Changes in Employment and Unemployment in Response to Cyclical Needs
4. Minimizing Inflation

B. STRUCTURAL OBJECTIVES

1. Targeting Employment Opportunities on People and Places in Need
2. Improving the Earnings and Job Prospects of Participants
3. Providing Income Maintenance or Entitlement to a Job under Welfare Reform

C. COMMUNITY OBJECTIVES

1. Providing Needed Public Services
2. Providing Fiscal Relief to State and Local Governments

In some cases, these objectives are not mutually exclusive and a program designed to accomplish one purpose can simultaneously accomplish another. Baily and Solow argue, for example, that targeting PSE on certain disadvantaged groups can achieve both an improvement in opportunities for these groups and a reduction in inflationary pressures. In other cases, the conflicts and tradeoffs between objectives must be faced. For example, targeting on disadvantaged groups and trying to make them more employable may necessitate some compromise in terms of desired speed of implementation, the number of job slots which can be funded within a fixed budget, and the value of the services which can be provided.

Without belaboring the point, it is important to realize that, at one time or another, PSE has been expected to accomplish all of the objectives listed in Table 1. As Katz and Wiseman note in their essay, this multiplicity of objectives has serious implications for program implementation. Where the intent of the national government is unclear with respect to program objectives, and where some of the objectives are inconsistent with others, the program implementors will be the final arbiters of what objective the program is to pursue. In such a situation, it is to be expected that the local objectives of providing services at the least possible local cost will eventually prevail. In other words, given sufficient time to adjust to the program, state and local governments can be expected to use the program for fiscal relief.

While it is not realistic to expect that a PSE program will be carefully tailored to meet only one of the objectives that has been identified, it is important to clearly understand that all of these objectives exist and that any evaluation of the program or recommended changes in its design must flow from the implicit importance attached to different goals. As Baily and Solow suggest, PSE has <u>intended</u> as well as unintended

side effects, i.e., subsidiary purposes. But what is a side effect in one person's mind may be a main effect in someone else's opinion, and this will make a difference in how they view the program.

The remaining sections of this paper review whatever evidence is available on the success of PSE in achieving each of the objectives listed in Table 1. We leave it to the policy makers to put together their own menu of preferred objectives.

IV. COUNTERCYCLICAL OBJECTIVES

A. Increasing Total Employment

One of the alleged benefits of a PSE program is its ability to create more jobs per dollar of federal outlay[6/] than other alternatives, such as revenue sharing or increases in government expenditures.[7/] The first round of expenditures for PSE is more labor intensive than most other types of federal expenditures and more fully spent than the proceeds from a tax cut. Thus, it is argued that funds are not diverted (at least not initially) into capital expenditures, into savings, into inventory reduction, into rising prices for existing goods or into inflationary wage gains for already-employed workers. Rather, they are targeted directly on the unemployed.

However, these benefits are realized only to the extent that the federal dollars are used by the local governments which receive them to hire more people than they would have hired in the absence of the program. If there is simply a substitution of federal dollars for local payrolls, then the employment-creating effects are very similar to what one would expect from general revenue sharing or other macro measures such as federal tax cuts. The hypothetical process by which local governments may use PSE funds to underwrite their own

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6/ It should be noted that if the criterion were output (or GNP) per dollar of outlay instead of jobs per dollar of outlay, the putative benefits of PSE would disappear unless there were higher spending multipliers associated with PSE or unless public sector output were judged to be more valuable then private sector output. For a discussion of multiplier effects, see p. 46 below and for a discussion of output effects, see p. 62.

7/ See The Economic Outlook: A Report to the Senate and House Committees on the Budget, Part II, Congressional Budget Office, p. 52, February 1978; also "Tax Cuts and Employment Policy," by Charles Killingsworth and Christopher King, in Job Creation: What Works? Robert Taggart, ed., Olympus Publishing Co., 1977.

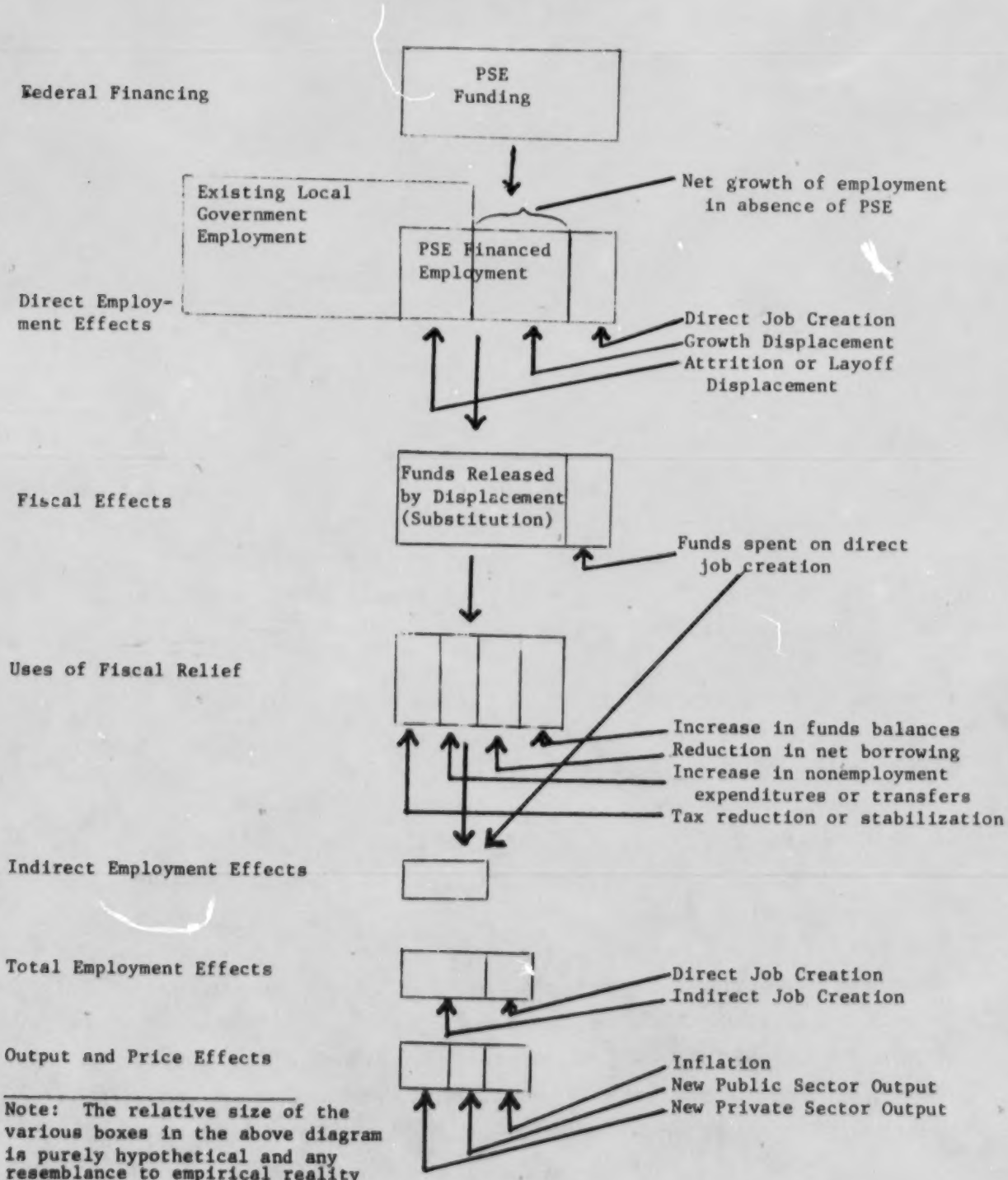
personnel budgets and then inject the released local revenues into the spending stream is illustrated in Figure 1. The process is generally referred to as "fiscal substitution."

There are three types of evidence about fiscal substitution. The first type--which only barely deserves to be called "evidence"--is newspaper stories about municipalities which have deliberately laid off workers only to rehire them with CETA funds or which have transferred existing positions to PSE financing. It should be noted that this type of substitution is only the most obvious and easily controllable form, and as such, probably represents the tip of the iceberg. Much more difficult to detect is the gradual replacement of federal for local funds over time as employee turnover or attrition occurs and as a local jurisdiction expands its employment base. Almost everyone who has studied the problem agrees that these subtler forms of substitution are likely to increase as local governments adapt their budgets to the availability of federal funds. This adaptation is most likely to occur if and when funding for the program is stabilized so that local governments can count on it as a relatively permanent source of finance.

A second type of evidence comes from the economics literature which is reviewed in the paper by Borus and Hamermesh. These econometric studies have attempted to build models which project what state and local employment levels would be in the absence of PSE so that the net employment effects of PSE can be ascertained. However, economists have not been able to agree among themselves on what variables should go into the projection models and, as Borus and Hamermesh demonstrate, even small variations in their models produce very large differences in the estimates of fiscal substitution. These estimates literally range from about 30 to 100 percent 18 months after the jobs are funded. In their

Figure 1

THE NET EMPLOYMENT EFFECTS OF PSE



Note: The relative size of the various boxes in the above diagram is purely hypothetical and any resemblance to empirical reality is purely coincidental.

paper, Borus and Hamermesh discuss ways in which the existing methodology and data can be improved in order to provide better information in the future. Pending these improvements, their review suggests it would be unwise to put very much reliance on this literature as a basis for making important policy decisions.

A third type of evidence on substitution can be derived from systematic monitoring of the behavior of local officials and of local program operations by trained observers in the field. This is the approach taken by the Brookings Institution in their study.

The study is based on a representative (nonprobability) sample of 42 jurisdictions for which field data were collected in mid-July 1977 and again in late December 1977. Each field observer is a recognized substantive expert and is expected to make judgments and interpretations about displacement based on interviews with local officials, available fiscal and program data, and personal observation. The results available thus far are preliminary and the authors have requested that they be viewed in this light.

The principal finding of the Brookings study is that the displacement rate was 18 percent and the net job creation rate was 82 percent for the sample jurisdictions in July 1977. This is a substantially lower displacement rate than suggested by earlier studies, and it will be some time before researchers have had a chance to fully explore the possible reasons for the discrepancy.

Of the 82 percent of all positions in the job creation category, 51 percent represented a staffing of new or expanded services and 31 percent represented "program maintenance"--that is, jobs which, in the judgment of the observers, would have been eliminated for lack of local funds if no federal assistance had been available. So, another way to summarize

the findings is to say that of every 100 jobs funded, 18 represented positions which would have been financed out of local funds in the absence of PSE, 31 represented positions which would have been eliminated in the absence of PSE, and 51 represented program-induced job creation.

Other interesting findings emerging from the Brookings study are that (1) displacement rates are lower in federal, state, and nonprofit agencies (CBO's) than in local governments; (2) displacement rates are lower (8 percent) for the new Title VI project positions than for Title II or the old Title VI sustainment positions (21 percent); (3) displacement rates are lower in fiscally distressed than in nondistressed communities since the former tend to use PSE positions for program maintenance while the latter use PSE slots to meet normal growth needs; (4) there are no significant differences in the characteristics of participants in displacement vs. job creation positions; and (5) most of the funds released by displacement are used to stabilize taxes. In general, the study contains a wealth of valuable new information--both quantitative and qualitative--which would be impossible to summarize here, although some reference will be made to it at other points in this paper.

As with other types of evidence, the Brookings study also has its limitations. It is based on the judgments of those in the field about what does and does not represent displacement--judgments which could well be in error since they rest on informed guesses about how many jobs would have been filled, even in the absence of the program, vs. how many represent a program-induced creation of new positions. Also, this evidence is based on field observations taken in July 1977 when the current PSE build-up was still in its infancy and does not tell us very much about what happens as local governments adjust to the availability of federal funds over time.

However, continued monitoring by Dr. Nathan and his associates and further analysis of their data, including that collected in December 1977, should shed additional light on this issue.

Although "fiscal substitution" is a major determinant of the net employments effects of PSE, some of the other factors which affect the number of new jobs created per dollar spent are covered in the paper by Baily and Solow.

They discuss the way in which output and employment effects depend not only on what happens during the first-round of government spending for PSE but also on subsequent rounds of respending by the recipients of the dollars. However, they conclude that there is little reason to think that these second-order or multiplier effects will be very different for PSE than for other types of expenditures. In a nonselective program, the multiplier will simply be a weighted average of the regular government expenditure and tax multipliers with the weights depending on the displacement rate. In a targeted program, higher spending propensities among low-income PSE recipients are likely to be offset by the fact that transfer payments (AFDC, unemployment insurance) will decline as these same low-income people are put to work.8/

In sum, a billion dollars of PSE expenditures is likely to generate roughly two billion dollars worth of new GNP, with the exact amount depending on the displacement rate, the spending propensities of PSE workers, and the tax and transfer recapture rate for these workers.

8/ If the criterion is output "per dollar of net outlays (or deficit)" rather than "per dollar of gross outlays," then a targeted PSE program compares more favorably to regular government expenditures. This is because the higher rate of revenue recapture for PSE workers reduces net outlays more than it constrains the respending process. Thus, PSE has been correctly sold as an effective way of holding down the size of the deficit. It should be noted, however, that deficits are a political and not necessarily an economic liability in a slack economy.

Although the foregoing discussion suggests that PSE provides no more overall stimulus to the economy than traditional macro measures, PSE does have one distinct advantage: it can create more jobs than other fiscal devices. In other words, the "jobs multiplier" may be higher even though the conventional GNP multiplier is not. The size of the jobs multiplier depends on the number of jobs created on the first-round of spending under PSE relative to the number created with other policies, and as we have seen, these first-round job creation effects depend largely on whether local governments comply with the intent of the program.9/

B. Reducing Unemployment

It is sometimes assumed that an increase in employment is synonymous with a decrease in unemployment. In fact, we know that any job creation effort encourages some people to enter or reenter the labor market and others to leave their current jobs or to forego already existing job vacancies. In 1977, for example, there were over 4 million new jobs created in the economy as a whole, but the number unemployed only dropped by about 1 million. Thus, it took about four new jobs to reduce unemployment by one person. Targeting PSE on the long-term unemployed and keeping PSE wages low may help to increase its impact on the measured unemployment rate.

9/ There is a problem here with respect to the appropriate question to ask. One can ask the question: "How many additional jobs are created by state and local governments when a PSE program, funded at a level of $X, is put in place?" Alternatively, one can ask how many additional jobs are created by state and local governments when a PSE program, funded at a level of $X, is compared to an unrestricted grant to local governments of $X. Existing research has really addressed the first of these two questions. Answers to the second question are likely to lead to somewhat less optimistic conclusions about the net employment effects of PSE relative to the net employment effects of other stimulus measures.

However, this could be at the expense of providing fewer opportunities for discouraged workers or those who are currently underemployed elsewhere in the economy.

The program data for Fiscal Year 1977 indicates that most participants were unemployed at the time they enrolled in the PSE program (73.6% for Title II and 80.7% for Title VI). With the exception of a few individuals who were underemployed immediately prior to enrollment, most of the remainder of the enrollees were either not in the labor force or were in another manpower activity prior to entering the program.[10/] As a point of comparison, the BLS data on the composition of those entering employment show that about 35 percent come from the ranks of the unemployed and 65 percent come from out of the labor force.[11/]

C. Timing Changes in Employment and Unemployment in Response to Cyclical Needs

PSE is probably a somewhat quicker, although less flexible, countercyclical tool than tax cuts. It is easy enough to turn on the PSE spigot during a recession; it is far more difficult to turn it off during a recovery especially if local governments have become dependent on federal dollars for essential services. (Of course, this conclusion could be modified if PSE were made part of a permanent countercyclical

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10/ The CLMS data for new enrollees in FY 1976 indicate that about 48 percent of all of the enrollees who entered the program during that year had been unemployed prior to enrollment. Another 17 percent came from outside of the labor force, and 35 percent had been employed or enrolled in another manpower or PSE program.

11/ Bureau of Labor Statistics, Special Labor Force Report No. 508, "Employment in Perspective: A Cyclical Analysis of Gross Flows in the Labor Force," GPO, 1977.

arsenal and a shelf of "soft public works" developed for this purpose.) It is also politically difficult to raise tax rates during a recovery period but, under a progressive income tax, there is a tendency for people to be pushed into higher and higher tax brackets as money incomes rise over time, automatically accomplishing what may not be feasible through discretionary action. If we were to use PSE to stimulate the economy during recessions and rely on this automatic increase in taxes as a restraining influence during recovery, the result would be an ever-growing public sector. Moreover, it must be remembered that at least four out of five jobs are in the private sector. Excessive reliance on variations in PSE for countercyclical purposes may place a disproportionate burden on the public relative to the private sector. Between 1974 and 1978, PSE jobs increased from 1 percent to over 7 percent of state and local government employment.12/

If the comparison is between PSE and regular government spending, the speeds with which they have their effects are probably quite similar. In addition, both tend to be inflexible in the downward direction.

In general, as Baily and Solow note, there is not much evidence on these timing issues and they should probably not be used as a decisive criterion of choice. Moreover, a rapid variation in the scale of PSE probably has undesirable side effects such as reducing the value of the services which can be produced, and decreasing the likelihood that any training will be provided for participants.

12/ David J. Levin, "State and Local Government Fiscal Position in 1977," Survey of Current Business, December 1977.

D. Minimizing Inflation

A major economic dilemma is how to create jobs without simultaneously creating inflation. When there is a lot of slack in the economy, fears of inflation may be unwarranted, but as the economy moves closer to full employment, the dilemma becomes a real one, and an important question is whether PSE will be less inflationary than tax cuts or increased government spending. There is some evidence, according to Baily and Solow, that a carefully targeted PSE program may be less inflationary than the alternatives because those who get the jobs are assumed to exert less bargaining power over wages than more advantaged workers whose skills are likely to be in greater demand. This latter benefit will only be realized, however, if the program is carefully targeted on those who would have difficulty finding unsubsidized jobs and if the wages for PSE workers are kept low. These requirements minimize the possibility that there will be a bidding up of wages in the regular labor market as employers compete to match the pay available on a PSE job.

Finally, it is important to note that inflation occurs in the public as well as in the private sector. Public sector inflation is simply less visible because of the way we value government output (i.e., at the cost of producing it). Nevertheless, if attention is not paid to the wages and productivity of government employees, the implicit inflation involved will show up in a declining ratio of real services received to taxes paid and increasing citizen complaints about the size and cost of government.

E. Conclusions About Using PSE As A Countercyclical Policy

The foregoing discussion suggests the following conclusions with respect to countercyclical PSE:

(1) If there is little substitution, then one can create more jobs (but not more output) per dollar of deficit with PSE than with tax cuts or expenditure increases. As Baily and Solow note, however, these are mostly PSE jobs, not "straight" jobs and this has implications for their duration, the value of the training received, and the usefulness of the output produced. If there is close to 100 percent substitution, then PSE is no better and no worse than the alternatives as a mechanism for creating jobs, and it must be judged on other grounds.

(2) The scale of PSE cannot be easily varied to coincide with changes in total unemployment over the business cycle--especially if one is concerned about the implications for the provision of training and useful output.

(3) A highly targeted PSE program may help to reduce any inflationary pressures associated with an expansion of employment opportunities.

These conclusions echo those of Baily and Solow, who state:

> Pending more evidence, we seem to be left with targetability, and perhaps higher job content per dollar, as the only important advantages inhering in PSE as compared with more conventional fiscal-policy devices. These are significant criteria of choice; but that we come down to them does serve to emphasize the kinship of PSE with other methods of operating fiscal policy.

We now examine the issue of "targetability" in greater detail.

V. STRUCTURAL OBJECTIVES

A. Targeting Employment Opportunities on People and Places in Need

Given the uneven distribution of unemployment between different groups and different areas, it is probably essential to supplement macroeconomic policies with more selective measures. Even in a high employment economy, there will be some individuals who because of personal or social handicaps, discrimination, or residence in a depressed area will have difficulty in finding work. A carefully structured PSE program could help to meet their immediate needs for both work and income. As noted previously, selective measures may also buy some limited insurance against inflation. To achieve these objectives, however, requires a careful targeting of resources on those most in need. At present, there is a tendency to allocate funds broadly rather than narrowly since no group or area wants to be slighted. As an example, one can take the eligibility requirements for CETA-PSE. Under current rules, there would have been approximately 22 million individuals in 1975 who were eligible for participation under Titles II and VI. About 7 million were eligible under the tighter requirements of new Title VI (as amended in 1976) and an additional 15 million were eligible under either old Title VI or Title II. (The eligibility requirements for Title II are very similar to those for old Title VI except that Title II is targeted on those living in areas of substantial unemployment.) These numbers would be somewhat lower in 1977 than in 1975 because of the lower unemployment rate in the latter year. They are also not a very accurate representation of who would choose to participate in the program. One way to get a handle on this latter question is to look at the number of eligibles whose actual or expected wage is less than the PSE wage.

The 1977 CETA wage of $7,800 (deflated to the data base year, 1975) is about 160 percent of the minimum wage. Of the 22 million eligibles, the equivalent of 6.23 million full-year workers could increase their earnings by participating in the program. This figure represents the lower bound on what annual participation would be in an open-ended program since some of the higher-paid eligible workers might choose to accept PSE jobs while unemployed despite the unaccustomed low wages and some eligible workers outside the labor force might also choose to work on PSE jobs. Among the eligible workers the upper bound on these two sources is 5.61 million worker years. Many workers who are unemployed or out of the labor force would choose not to participate because of the low wages. If the mid-point is assumed as the estimate, a total of about 9 million PSE slots would be demanded by eligible workers.[13/]

These calculations suggest that, even with a program which was much larger than the current one, it would be difficult to meet the needs of all of the "structurally unemployed." If the program is diverted to countercyclical purposes, there will be even fewer slots for the disadvantaged.

The above estimates also suggest that in a closed-ended program which offers less than 1 million job slots, local program operators have great discretion in deciding whom to serve. Some evidence on the kinds of decisions that are being made can be derived from data on the characteristics of current participants. These data are arrayed in Table 2 and indicate that most participants are white, male, between 22 and 44 years of age, and with 12 or more years of education. Minorities have been employed in the PSE program in a greater

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13/ These calculations are conservative because they ignore the possibility that some individuals may change their status (for example, from employed to unemployed). in order to establish their eligibility for PSE.

Table 2
COMPARISON OF CHARACTERISTICS OF PARTICIPANTS IN CETA TITLES II AND VI AND U.S. UNEMPLOYED, 1975-1977

CHARACTERISTIC	CETA[a]						U.S. UNEMPLOYED, ANNUAL AVERAGES[b]		
	TITLE II			TITLE VI					
	1975	1976	1977	1975	1976	1977	1975	1976	1977
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SEX:									
MALE	65.8	63.8	59.9	70.2	65.1	64.1	56.0	54.4	52.3
FEMALE	34.2	36.2	40.1	29.8	34.9	35.9	44.0	45.6	47.7
AGE:									
UNDER 22 YEARS	23.7	21.9	20.4	21.4	22.0	20.3	33.0	33.6	34.4
22 TO 44 YEARS	62.9	64.1	64.3	64.8	64.1	64.8	38.5	38.1	38.6
45 YEARS AND OVER	13.4	14.1	15.3	13.8	13.9	14.8	28.5	28.3	27.0
EDUCATION:[c]									
8 YEARS AND UNDER	9.4	8.0	7.2	8.4	8.1	8.2	14.2	13.5	12.3
9 TO 11 YEARS	18.3	17.9	15.1	18.2	17.7	18.9	20.4	20.0	20.6
12 YEARS AND OVER	72.3	74.1	77.7	73.3	74.2	72.8	65.5	66.6	67.1
ECONOMICALLY DISADVANTAGED	48.3	46.5	48.3	43.6	44.1	66.5	N.A.	N.A.	N.A.
RACES:									
WHITE[d]	65.1	61.4	71.5	71.1	68.2	66.3	81.3	80.3	78.4
BLACK AND OTHER	34.9	38.6	28.5	28.9	31.8	33.7	18.6	19.7	21.6
HISPANIC ORIGIN	16.1	12.4	13.5	12.9	9.9	12.0	6.3	6.6	6.4
LIMITED ENGLISH SPEAKING ABILITY	8.0	4.3	2.1	4.6	3.3	2.9	N.A.	N.A.	N.A.
VETERANS:[e]									
SPEC. VIETNAM ERA	11.3	10.1	7.4	12.5	8.7	6.5	7.2	6.9	6.9
OTHER	12.6	11.4	15.6	14.6	12.0	18.4	10.8	9.9	8.7

FOOTNOTES ON FOLLOWING PAGE.

a/ Data for fiscal year.

b/ Data for calendar year.

c/ Data for U.S. unemployed excludes those under 20 years of age.

d/ "White" includes Hispanic Origin Americans (Cubans, Puerto Ricans, Mexican Americans and Latin Americans) as well as those who do not appear to belong to one of these groups but who have names of Hispanic origin.

e/ CETA and BLS Veteran data are not strictly comparable. BLS "Vietnam Era Veterans" includes males aged 20-34 who served in the Armed Forces in all areas of the world sometime between August 5, 1964 and May 7, 1975. CETA "Special Vietnam Era Veterans" are all veterans who served only in the Indochina and Korean theatres between those dates and includes female and older veterans. The BLS population of Vietnam era veterans is larger than that of CETA.

SOURCES: CETA data from: Office of Administration and Management, Division of Information and Systems Development. U.S. unemployed annual averages are from the January 1976, 1977, 1978 Employment and Earnings; and from unpublished data from BLS, Office of Current Employment Analysis, Division of Employment and Unemployment Analysis. Preliminary data from the Continuous Longitudinal Manpower Survey for FY1977 show very similar distributions to the program data reported here.

proportion than their representation among the general unemployed population. Women have not had the same experience. An initial reading of the limited data available is that PSE participants[14/] are more employable than the unemployed population in general. Looking just at the enrollees in new Title VI project positions for the third and fourth quarters of FY 1977, we find that 67 percent were male, 42 percent were nonwhite, 20 percent were under 22 years of age, 30 percent had less than 12 years of education, 69 percent were economically disadvantaged, and 12 percent were from AFDC families.[15/] These distributions do not depart markedly from those shown in Table 2 for all Title VI participants during FY 1977. However, there does appear to have been some shift toward serving the more disadvantaged just recently. During the fourth quarter of 1977, for example, total enrollment in Title VI increased by 55 percent, but the enrollment of economically disadvantaged persons increased by 82 percent.

14/ The program data reported by the regular quarterly reports of the prime sponsors to the Department of Labor provide characteristics of enrollees by title, not activity. Therefore, when program data is used it includes characteristics on individuals in Titles II and VI who were engaged in training or other services, not just PSE. In Fiscal Year 1977, approximately 48,000 individuals received services other than or in addition to PSE under Titles II and VI. The other primary source of information, the Continuous Longitudinal Manpower Survey, breaks out the characteristics for each functional activity. While the CLMS is a more accurate representation of the PSE population, it lacks the timeliness of the program data. However, preliminary data from the CLMS on the characteristics of enrollees during FY 1977 show distributions which are similar to those in Table 2.

15/ These data are preliminary and are from the Department of Labor's Continuous Longitudinal Manpower Survey.

Some data on the characteristics of participants are also available from the Brookings study. The authors present these preliminary data in disaggregated form only--that is, separately for each type of prime sponsor, for each type of government, and by type of government and title. Given this disaggregation, it is difficult to say whether various groups are over or underrepresented since we don't know what percentage they are of the local population, labor force, or unemployment pool. For example, in an absolute sense, the highest proportion of minority participants was found in large cities, but relative to their representation in the local population, small cities and suburban areas appear to serve their minority populations better.

Looking at the characteristics of participants across four types of government (large, distressed cities; other large cities, small cities and suburban areas; rural areas), the percent distributions on various characteristics range as follows:

Characteristic	Percentage Distribution	
	All Titles	Title VI Project
Male	60-73	52-84
Minority Group Member	22-74	8-72
Under 22 Years of Age	11-23	10-29
Less than 12 Years of Education	16-36	17-72
AFDC Family Member	4-14	8-19
Economically Disadvantaged	56-82	75-100

Based on a preliminary reading, there don't seem to be any major surprises here, i.e., the data are not inconsistent with what we already know from program or CLMS reports. In

both cases, the data indicate that a somewhat more disadvantaged group is being served in the Title VI projects than in sustainment positions.

B. Improving the Earnings or Job Prospects of Participants

Even with adequate targeting, the question must be asked whether PSE can be continually expanded without creating a caste-like system in which the public sector becomes a kind of warehouse for the hard-to-employ. Although there are no reliable measures of the length of time that participants stay in PSE, the available data suggest that people are not moving out of PSE jobs into regular public or private jobs at a very rapid rate.

Out of a total enrollment of 1,368,100 in Titles II and VI during fiscal year 1977, there were a total of 422,300 terminations. In other words, program turnover was less than one-third.

The program data for fiscal year 1977 also indicate that slightly more than 100,000 of the participants in Titles II and VI found unsubsidized employment when they left the program. After making adjustment for some reporting problems, we have estimated that about one in every three program terminees is obtaining an unsubsidized job when they leave the PSE program. However, this is only an estimate and is not an adequate measure of the program's effect on participants' job finding. It is simply a count of those the prime sponsors know found jobs immediately upon leaving the program.

Additional informal evidence from the Commission's field hearings and from the Brookings Associates suggests that there has been very little attention given to job development and placement and that most participants are

moving into unsubsidized public sector jobs rather than into private sector jobs. There is also some indication that local governments view PSE as a way of building up a pool of potential employees. They use PSE to screen these potential employees and as an aid in meeting affirmative action goals.

A related question is what happens to PSE participants over the longer run. Does their experience in a public sector job increase their future earnings or employability? Existing studies provide meager information on this question but what evidence there is does not show that subsidized public employment improves post-program employment and earnings prospects for participants. Where such gains are observed, it is often because the program is selective of better qualified or more motivated people and because their earnings improve for reasons unrelated to the program. This does not mean that a carefully designed program--with sufficient resources devoted to training and supervision--could not produce such gains. But this is not the kind of program which is in place at the current time.

C. Providing Income Maintenance and Jobs for Welfare Recipients

A finding that PSE programs as currently constituted do not lead to long-term gains for participants should not be allowed to undercut the immediate value of work and income to the unemployed. The traditional response to their needs is unemployment insurance and this probably makes some sense for those who are temporarily unemployed. Similarly, cash assistance is appropriate for those who are genuinely unable to work. But the massive growth in outlays for these transfer programs in recent years has spawned a new interest in the extent to which entitlement to a job can reduce

relatively long-term dependency on welfare and unemployment insurance among those able to work. There are close to 1 million nonemployed AFDC parents who are not disabled and who have no children under 6, and during 1976 there were 3 million people who were unemployed for more than 26 weeks.

In their paper, Baily and Solow discuss some of the reasons why PSE may be a better response to long-duration unemployment than extended UI benefits. They argue that the proportion of people misusing the program (e.g., labor force dropouts, students, early retirees) tends to increase, that the amount of fruitful job search may diminish, and that the net value to society from utilizing an individual's idle time rises the longer that individual is unemployed.

The problem with a job guarantee is that it very quickly gets prohibitively expensive. As we have already noted, at current PSE wages there are probably in the neighborhood of 6 to 12 million job takers and an open-ended program could end up costing between 50 and 100 billion dollars.

It is these kinds of budgetary costs which have led to proposals to (1) offer low (or minimum) wages in a guaranteed jobs program and (2) limit eligibility to primary earners in families with children. Under these particular constraints, which are the ones contained in the Administration's welfare reform proposals, the number of job takers is estimated to fall to around 2.5 million, and with some reasonable turnover (less than full-year participation by each individual), this many people could be accommodated with about 1.4 million job slots at a cost of $8.8 billion in 1981.16/

16/ Initially the Administration proposed that the jobs component of welfare reform replace the jobs portion of the economic stimulus package (5.5 billion). However, the Administration is now proposing both a permanent counter-cyclical program and the welfare jobs program.

One reason that PSE is difficult to use to achieve income maintenance objectives is because the principle of economic need, which normally requires adjusting support to family circumstances, conflicts with the principle of equal pay for equal work. A wage level which provides a relatively generous income to a teenager living at home will not be sufficient for an individual who must support a six-person family.

In general, as Baily and Solow note, there are good reasons for keeping wages relatively low, supplementing them if necessary with income transfers or tax credits. In addition to reducing budgetary costs, low wages may inhibit displacement and they certainly provide an incentive for PSE workers to search for unsubsidized jobs.

However, as with so many public policy issues, solving one problem often creates another--in this case, the problem of dual wage structures in PSE. Concern with this issue was frequently voiced at the Commission's field hearings as well as at a recent Commission-sponsored conference on the manpower views of organized labor. It is likely that these concerns will make the minimum wage proposal politically unacceptable. At the same time, higher wages would necessitate much stricter limits on eligibility or, more likely, the abandonment of the job guarantee concept entirely and continuing reliance on income transfers instead. These are about the only choices.

If in the process of providing jobs and income for welfare recipients or other needy people, the community also reaps some net return in the form of the goods and services they produce, this could provide an additional rationale for a PSE program. It is the value of this additional public sector output to which we now turn.

VI. COMMUNITY OBJECTIVES

A. Providing Needed Public Services

One of the arguments for a PSE program is that there are important social needs which can be met by employing individuals who would otherwise be idle or seriously underemployed. The net real gain to society will depend not only on the value of the output produced by these individuals, but also on (1) the extent to which their work simply displaces that of existing employees or volunteers, (2) the real resources used for supervision, administration, and materials and (3) the value of alternative uses (paid or unpaid) of the participants' time, such as working intermittently, caring for children, or searching for a regular job.

The major gains come, of course, from putting idle resources to work. But an obvious question is whether or not public service employment is a better use of these resources than private employment. It is frequently argued that if additional public sector output had a higher priority than more privately-produced goods and services, then local jurisdictions would tax themselves to produce these community services. It can also be argued that, if one wishes to maintain a greater balance between unmet public and unmet private needs, while still targeting assistance on the disadvantaged, then more consideration should be given to providing subsidized employment (not necessarily at 100 percent) in both the public and private sectors. Baily and Solow argue that the use of wage subsidies to induce private employers to hire the hard-to-employ will be largely dissipated in the form of windfall gains to employers who would hire many of the same individuals with or without the subsidy. But a similar problem occurs with respect to public (or nonprofit) employers except that in the latter case the resulting subsidization is labelled fiscal relief (or government philanthropy) instead of windfall profits.

There is little (if any) hard evidence on the output of those individuals who are employed under CETA PSE. At the Commission's field reviews, there were reports that the program has resulted in an increase in, and extension of, the services provided by state and local governments and community organizations. The Brookings data show that PSE workers are mostly concentrated in primary services (public safety, public works, utilities and sanitation, general administration). Those in sustainment positions are most likely to be in public safety and general administration, while those in the projects tend to be in public works, utilities, and sanitation. When compared to regular government workers, PSE participants are more likely to be in public works and parks and recreation. Nonprofit organizations tend to use PSE for social and cultural activities. Looking at the occupational distribution of PSE workers, they tend to be more concentrated in lower-skilled jobs than regular workers and this is especially true for the project participants. However, little evidence was found by the Brookings Associates that PSE is a "make work" or "leaf raking" program, or that the productivity of PSE workers is lower than that of regular government employees in comparable jobs. Whether the output which these PSE workers produce is as socially useful as some alternative uses of their time remains an open question.

While the real costs of the output produced by PSE workers should be measured in terms of the alternative uses of their own time (or of other program resources), there is also considerable interest in the net budgetary costs of PSE.[17/] These depend on the extent to which wages and other

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17/ It should be noted that it is not really appropriate to compare the value of the output of PSE workers to net budgetary costs since budgets include a large element of taxes and transfers which are intended to achieve income distribution objectives and are unrelated to real resource costs. Shifting a welfare recipient onto PSE does not necessarily increase the GNP any more or any less than shifting an unemployed millionaire onto PSE but it does have different effects on who pays taxes to support whom.

program costs are offset by reduced transfer payments or the increased taxes paid by PSE jobholders. By targeting PSE on nonemployed welfare recipients or unemployment insurance recipients, it is possible to keep these budget costs quite low. To take an illustrative case, in 1977 a family of four in New York that had no other income and received AFDC and food stamps would have had transfer payments valued at approximately $5,800. The average unemployment insurance benefit in the same state was $4,307 on an annual basis. A PSE job would have cost about $8,000 (including administrative costs)--and some of this would have been returned in the form of taxes paid by PSE job holders. Currently, somewhere in the neighborhood of 30 percent[18/] of all PSE participants received public assistance or unemployment insurance prior to their enrollment in the program.[19/]

Having looked at PSE in terms of real resource costs and then in terms of the budgetary costs at all levels of government, we now narrow our focus still further by examining the costs and benefits of the program from the perspective of the local governments who deliver the services.

B. Providing Fiscal Relief for Local Government

From the perspective of the local community, net budgetary costs are typically very low because of the federal subsidies involved and, as Katz and Wiseman note, the behavior of the local agencies that hire PSE workers is comparable to

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18/ This number is based on program data for FY 1977 and is only approximate since we don't know what the overlap between the two groups is.

19/ Cf. discussion in footnote 8. Targeting the program on the recipients of these income transfers reduces net outlays and consequently increases the number of jobs created per dollar of deficit, other things being equal.

that of any employer offered a relatively inexpensive source of labor. They will not only attempt to hire the most productive workers but also, where possible, they will attempt to substitute them for regular (unsubsidized) employees. In addition, because they do not pay the full costs of PSE workers, there is little incentive to use such workers as efficiently as possible.[20/] Viewed in this context, it is not surprising that local prime sponsors resist regulations which increase costs (e.g., wage ceilings or limits on overhead expenses that necessitate local supplementation) or which reduce the value of what can be produced (e.g., a project orientation or eligibility standards which require hiring less qualified workers).

Moreover, if these regulations were to be made sufficiently stringent, they could actually discourage local participation entirely and undermine the feasibility of a decentralized delivery system.

The incentive, then, is to use PSE workers to provide regular government services within the limits set by law or regulation. The greater the amount of job displacement and fiscal substitution in PSE programs, the greater the fiscal relief and the more likely it is that the output produced will mirror that which is normally produced in the public and private sectors (the mix depending on how the released funds are spent). In the case of a high rate of substitution, the program is the equivalent of general revenue sharing with some hiring strings attached. If these rules about who can be hired lead to a change in the composition of state and local government employment, then the structural objectives of the program

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20/ On the other hand, to the extent that PSE workers would have been unemployed in the absence of the program, then treating them as if they are free resources may not be inappropriate.

may well be achieved and aggregate employment objectives can be left to macroeconomic policy. However, this assumes (1) that targeting can be made effective; (2) that changes in the composition of employment will not be resisted by municipal unions; and (3) that the structural objectives are not frustrated by a compensating tilt toward the hiring of more skilled workers or a relaxation of affirmative action programs in unsubsidized positions.

VII. PROGRAM DESIGN VS. PROGRAM IMPLEMENTATION

Thus far, the discussion has centered around the question: how effective is PSE in achieving various objectives? The assumption has been that the objectives and our knowledge about what "works" in achieving these objectives should drive program design. But that is only part of the story. In their essay on public employment programs, Katz and Wiseman draw an important distinction between programs that fail because they are improperly designed and those that fail because of problems of implementation. And unlike the other papers in this study, they deliberately focus on the latter. Their insights are unique and valuable since even a perfectly designed program will fail if insufficient attention is given to practical problems of implementation. Of course, the reverse is also the case. So, we need to be equally sensitive to both types of problems.

Katz and Wiseman accept as appropriate the current federally-financed but decentralized delivery system. They note that the reasons for operating a local as opposed to a federal delivery system include the larger and more geographically dispersed employment base of local governments and the presumed greater operational efficiency at this level. On the other hand, federal rather than local financing is desirable because the benefits of job creation, or of a better distribution of job opportunities and income, accrue to the nation as a whole, not just to the local community. Thus, in the absence of federal financing and some federal control over how the money is spent, local governments would tend to underfund employment and training programs. This is the basic justification for a categorized but decentralized system.

In the current decentralized PSE program, difficulties in implementation arise, according to these authors, for four reasons:

- First, program objectives are ambiguous or conflicting. This leads to far less targeting of resources in practice--either geographically or demographically--than was originally intended in the statute. Intertitle transfers, for example, blur the distinction between structural and countercyclical purposes.
- Second, the "product" which is being produced by the program (i.e., jobs) can't be readily observed. This makes it extremely difficult for the federal government to effectively monitor program performance. For example, it is virtually impossible to say whether new jobs are being created, and for whom, given the subtle ways in which displacement occurs over time.
- Third, the "product" is not produced and purchased at minimum cost. Unlike firms in a competitive market, prime sponsors are not forced to compete with one another for dollars and receive no reward for superior performance. For example, they benefit more from "creaming" participants from among the eligible applicants than from serving the most disadvantaged. Thus, the objective of providing jobs for the disadvantaged is not achieved as cheaply as it might be, and prime sponsors reap a "surplus" in the process.
- Fourth, largely for reasons already noted, "contracts" between the federal government and the prime sponsors are not enforceable. The attempt

to secure greater compliance with federally-imposed objectives has, over time, led to tougher and more specific regulations but none of these regulations has much direct impact on the delivery of services. Moreover, a lack of sufficient knowledge or expertise among DOL administrators as well as a lack of usable sanctions limits the degree of compliance which can be enforced.

Given these kinds of difficulties, Katz and Wiseman come up with a specific set of recommendations designed to sharpen the objectives of the program and clarify the "contract" between the Department of Labor and the prime sponsors who operate the program. The proposals are to:

- Retain the current tightened eligibility criteria for PSE and extend them to all new hires.
- Maintain the present $10,000 per year salary limitation.
- Impose a limitation on the ability of local governments to supplement PSE wages and benefits.
- Limit tenure in PSE to one year.
- Require the prime sponsor to submit a "service plan" for each PSE job holder detailing the type of job for which the person is trained, the comparability of wages, and job search assistance to be provided.
- De-emphasize the entitlement of funds.
- Discontinue the practice of determining overhead on the basis of wages paid since there is little relationship between wage level and the need for supervision, space, materials, etc.
- Develop a PSE contract that covers total agency employment and provide that reporting requirements

include data, broken down by agency, on both budgeted and subsidized vacancies.

- Make multi-year commitments to prime sponsors for PSE.
- Exclude fiscal relief from the objectives of PSE.
- Develop performance measures that assess the degree of congruence between local program operations and national goals with respect to the characteristics of jobs and of the target population.

VIII. IN CONCLUSION: WHAT ARE THE ISSUES?

This paper has raised a number of issues that the Commission and the Congress may want to consider in its deliberations on the future of public service employment. Some of the specific questions which are likely to emerge in any decisions about the future of the program are summarized here for convenience:

- Should PSE be focused on countercyclical or structural objectives or both?
- What is the appropriate scale of the program (for the near-term and the long-run)?
- Who should PSE be targeted on? What should the eligibility requirements be? Can we move toward a job entitlement program?
- How should the funds be distributed? What about geographic targeting?
- What wages should be paid? What should be provided for overhead and training expenses? What about wage ceilings and local supplementation?
- What, if anything, should be done to control substitution? Should the project approach be continued?
- How can we assure better transition into unsubsidized jobs? Should there be a limit on duration of participation?
- Should there be longer-term authorization and more forward funding to permit greater planning and stability in the program?
- Do we need better data and performance indicators about what is taking place at the local level or is it better to have local accountability to local plans?

Some of the arguments and evidence which might inform the answers to these questions have been presented in this paper. But, as suggested by the brief historical review at the beginning of the paper, PSE programs (in their present form) are a relatively new instrument of public policy. There is still much to be learned about their effectiveness in achieving various purposes and a judgment to be made about the purposes for which they are best-suited.

REPORT ON
THE NCMP FIELD REVIEWS
OF PUBLIC SERVICE EMPLOYMENT

This paper was prepared by the Staff of the
National Commission for Manpower Policy.

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A. DATES, LOCATIONS AND REPRESENTATIVES AT THE NCMP FIELD REVIEWS ON PSE

B. ISSUES FOR DISCUSSION AT THE NCMP FIELD REVIEWS ON PSE

I. INTRODUCTION

In order to obtain information on the implementation, administration and operation of public service employment (PSE) programs, the Commission conducted four two-day field reviews in the autumn of 1977.[1/] These field reviews were structured as informal hearings with presentations by and the questioning of individuals representing prime sponsors, community organizations, organized labor, PSE employees and others.

The field reviews were intended to provide the Commission members and staff with an opportunity to meet and discuss PSE with those individuals who were intimately involved with the program as administrators, operators, participants or observers.

Six broad issue areas were identified as areas of concern to the Commission. These issues were intended to serve as catalysts for discussion and all of the participants were urged to raise and focus on those issues that they felt to be most important and demanding the Commission's attention. In brief,[2/] those six general areas focused on:

- State and local goals and objectives for PSE programs;
- The effects of PSE on the level and mix of state and local government services;
- The effects of the PSE programs on community organizations;
- The ability of states, localities and community organizations to create PSE jobs;

1/ Appendix A contains information on the dates and locations of the field reviews.

2/ Appendix B contains the six topics for discussion as they were defined for the participants.

- The extent and ways in which PSE has influenced the personnel practices of the employing agencies;
- The areas of concern in a consideration of phasing down or changing the program's mode of operation.

The field reviews had a twofold purpose. They were intended to:

- Provide the Commission members with a means of directly obtaining information on the CETA public service employment programs;[3/]
- Provide individuals with an interest in PSE under CETA with an opportunity to inform the Commission about their programs, their experiences and their concerns.

Throughout the four field reviews, the participants agreed on one major point: PSE was a program without a clearly stated purpose. Those responsible for implementing, administering and operating the program repeatedly made the point that, in the absence of clearly defined program objectives at the national level, they decided who the program was to serve and for what purpose.

This paper provides a summary of the four field reviews and as such cannot cover the full range of issues that were raised or fully discuss the variety of opinions that existed. It sets out the areas most consistently addressed.

The remainder of this paper will summarize the field reviews under the following general headings:

- The net employment effects of PSE;
- Targeting, training and transition;
- Wages and output;
- Program administration;
- Community organizations;
- Future directions for PSE.

3/ In addition to the formal proceedings of the field reviews, visits were made, in Boston and Seattle, to program worksites and administrative offices by members of the Commission and staff.

II. THE NET EMPLOYMENT EFFECTS OF PSE

A primary focus of the Commission's field reviews was the extent to which the CETA PSE programs resulted in increased employment in the jurisdiction. It was the general assessment of the field review participants that the PSE programs increased employment in the state, local and nonprofit agencies that were providing PSE jobs. The rates of fiscal substitution (i.e., the use of federal dollars to provide services that would otherwise have been paid for with state or local revenues) were not often estimated, but the clear impression left by most of those making presentations was that they would be low.

There was not unanimity on the limited amounts of substitution that occurred, however. Several participants, primarily representatives of community organizations, expressed the opinion that many of the PSE supported services would have been provided in the absence of the program. Many of these participants noted the fact that there was a contradiction between the national PSE program goal of creating the greatest number of net new jobs and the demands on state and local officials to provide services at the lowest possible level of taxation.

In discussing the limited amount of displacement that had occurred, the point was made that the PSE program had been changed too often and too many times for the officials to anticipate it in their planning. However, it was also noted that the continued presence of the

program did affect budget decisions and that, over time, the employment effects of the program would lessen because state and local decisionmakers would factor the PSE positions into their calculations about future revenues and personnel needs. In line with this, it was noted that the absorption of the PSE programs could occur without a conscious decision to substitute federal funds for those of the states and localities.

At each of the field reviews, there was some discussion of growing resistance to increased levels of taxation at the state and local level. Several of the participants noted recent instances where the taxpayers had rejected tax levies. These participants indicated that the presence of PSE permitted a continuation of service levels that state and local revenues would not have sustained. It was made clear by several of these individuals that the voters would not have voted for increased levels of tax effort if the PSE program were not in place or was terminated. In other words, they did not see this as substitution. In a few instances, the participants felt that the voters would have approved tax increases to pay for the services and that PSE was being used to provide them instead.

The Commission heard presentations from several points of view about the role of PSE in sustaining critically needed services in fiscally distressed areas, particularly central cities. The point was made continually that PSE was providing very essential services in these jurisdictions. It was clear to the participants that there was no substitution involved; in the absence of the PSE program, the services would have been terminated.

There was some discussion of the net employment effects of placing PSE jobs with community organizations and nonprofit agencies. There was general agreement that fiscal substitution was less of a problem with these organizations because of the fixed nature of their budgets. However, there was an open question of the extent to which PSE resulted in the displacement of volunteer labor by paid PSE employees.

In conclusion, it was the general opinion of those who made presentations at the field reviews that the rate of substitution of PSE funds for state and local funds was fairly low. Where it was occurring, it was largely inadvertent and unavoidable. However, there were several assertions that the program's effects were severely limited by a high degree of substitution. Part of the differences in opinion is explained by the fact that the participants were discussing programs in different jurisdictions and it is obvious that PSE varies widely from place to place. Another part of the discrepancy can be explained by the differing perspectives of the participants. A third factor in the different assessments is the difficulty in answering the question: "what would have occurred in the absence of the PSE program?".

III. TARGETING, TRAINING AND TRANSITION

A. Targeting

The Commission questioned almost all of the field review participants on who was being served by the PSE program. The responses were mixed and somewhat at odds with each other.

A first view of the individuals who made presentations to the Commission was that the program was serving the "hard-to-employ", "the disadvantaged" and/or "the long-term unemployed". They pointed out that the proportion of minorities, women and veterans in PSE jobs exceeded the proportions of these groups among the regular workers or the unemployed population in the area. For some jurisdictions, PSE provided the opportunity to hire traditionally underrepresented groups such as minorities and females as part of their affirmative action efforts.

A second view that emerged was that the PSE enrollees had to be qualified to perform on the jobs. The PSE enrollees were, therefore, required to have attained amounts of education and work experience that were similar to those attained by the regular employees of the agency.

It was on the question of targeting that the participants most often raised the conflicting objectives of the PSE programs. They raised the confusion between the "structural" purposes of Title II programs and the "countercyclical" nature of the original Title VI. Many pointed up the increased targeting in the new Title

VI programs as a further complication.

One pattern that did emerge from the discussions was the differences in approaches to filling sustainment and project[4/] positions. Since sustainment positions were more likely to be used to extend or increase traditional state and local services, the participants selected to fill these vacancies were usually more experienced and better educated. Projects were seen as a means of employing the less job ready.

A second point that emerged was that the programs could and would operate under tighter enrollee eligibility requirements. However, those appearing at the Commission's field reviews also made it clear that they would tend to hire the most employable individuals from within the pool of eligibles.

During the field reviews, there was substantial discussion of the extent to which PSE programs were serving Vietnam era veterans, especially with respect to the national goal of enrolling Vietnam era veterans in 35 percent of the PSE positions. Most of the participants indicated that this was one of their priorities. However, they indicated that several problems had been encountered, including: the inability to find eligible veterans; the conflict between the national veterans enrollment goal and other locally established goals (e.g., for women); the refusal of the PSE jobs by veterans because of low wages or limited career prospects. While the PSE program operators acknowledged the importance of the Vietnam era veterans enrollment goal, there was very little discussion of special outreach efforts that had been undertaken as a means of increasing veteran enrollment.

4/ Under the Emergency Jobs Programs Extension Act of 1976, all new Title VI positions must be in projects that have a maximum duration of twelve months. The limit on duration applies to the projects, not on PSE enrollees. Fifty percent of vacancies that occur in the previously filled Title VI slots must also be filled in projects. Title II positions and the remaining 50 percent of Title VI vacancies are referred to as "sustainment."

Welfare reform was very much a matter of concern to those who participated in the four field reviews. It was expressed by many of the participants that a PSE program targeted on the welfare population could encounter implementation problems because of the types of skills and competencies required in state and local government agencies and most community organizations. Without a large training component, most of the participants did not think that a PSE program targeted on welfare recipients would be successful.

B. Training

The lack of adequate attention to the longer term employability development needs of the PSE enrollees was cited as a serious programmatic shortcoming by many of the field review participants. The consensus was that PSE was, at best, an interim measure that provided worthwhile work experience and needed income, but contributed little to the enrollee's career prospects.

The projects approach was held to be more deficient with regard to training than was the nonproject PSE. Where nonproject PSE positions provided experience in jobs similar to those found in regular state and local government employment, projects were isolated from regular public sector activities and provided little in the form of on-the-job training.

Several field review participants expressed serious reservations about the fact that CETA had become a jobs program, with little actual training being conducted. They were concerned with the limited amount of training in PSE and with the fact that PSE was the dominant CETA activity. It was the opinion of many that the attention on PSE had resulted in a limited development of the Title I delivery system.

C. Transition

The program data displays the fact that there has been only a limited amount of transition off of PSE jobs and into regular, unsubsidized employment. The field reviews confirmed that fact and provided four additional insights.

First, most of the field review participants indicated that transition of enrollees into unsubsidized employment was not a top priority. The economic circumstances early in the program had provided few, if any, transition opportunities. Further, the Congress had deemphasized placement as a program goal. Most importantly, however, was the fact that in the effort to expand program enrollment, attention could not be paid to increasing transition. The field review participants agreed that transition was a stated program goal, but in actual operations it was being viewed as a second order objective.

A second aspect of transition that emerged from the field review presentations was the use of the program as a prescreening device through which employers could observe the actual performance of potential employees on the job. In this way, employing agencies used PSE to establish an "employment pool" from which they would eventually hire their regular employees. It was noted that the projects approach limited this practice somewhat.

With regard to transition, the Commission questioned those who made presentations about whether the transition

would be in public or private sector jobs. With few exceptions, the response was that transition would be into public sector jobs. It was noted that the incentives for the participants were to seek such jobs in order to take advantage of the increased benefits that accompanied the seniority they had accrued. By hiring PSE enrollees, the employing agencies were obtaining trained and experienced employees. Finally, the skills and experience obtained in working on a public sector job were not always transferable to private sector employment.

A fourth point that was made by many at the field reviews was that there was a lack of clearly defined responsibility for moving PSE enrollees into unsubsidized jobs. Except where it was specified in the agreement creating the PSE slot, the employing agency did not see placement as part of its responsibilities. Often, the prime sponsor staff did not followup to see how the enrollee was progressing on the job and what the future employment prospects were.

It was the conclusion of virtually all of the field review participants that transition would occur primarily into public sector jobs. It was also apparent that transition was not the primary priority of most of the agencies operating PSE programs.

IV. WAGES AND OUTPUT

A. Wages

The PSE wage level received considerable attention from many of the individuals who made presentations at the field reviews. Generally, the participants said that the $10,000 ceiling was too low. Several of the individuals made the point that under the Emergency Employment Act of 1971, the wage ceiling had been $12,000. Under CETA the ceiling had been lowered while inflation had increased the cost of living and the wages paid to employees in unsubsidized public sector jobs.

Several of the field review participants discussed the fact that the wage ceilings in CETA restricted the types of activities and occupations in which they could place PSE positions. They noted that even the entry level positions in many career fields were paid in excess of the CETA wage ceiling.

Other participants told the Commission that they had found it necessary to contribute state or local revenues to pay the program enrollees the going rate in many occupations. They acknowledged that increasing the ceiling would result in fewer jobs being created, but they also saw limitations on the amount of local funds that could be made available to supplement the CETA wages, especially for a targeted program.

Wage ceilings were discussed from two different perspectives. In some cases, the

$10,000 ceiling created problems because the entire jurisdiction paid all but a few lower-level jobs at a rate that was above the PSE maximum. This was especially true in the cities. Others, however, found the wage ceiling to be a problem because they wanted to use PSE slots in specific higher skill, higher wage occupations (e.g., program planner or budget officer).

The participants often discussed the use of minimum wage jobs as a component of the proposed welfare reform package. There was virtual unanimity on the point that state and local governments would not be able to absorb large numbers of minimum wage jobs. The participants stressed the fact that there was a real danger that large numbers of minimum wage PSE jobs would result in a two-tier wage structure in the state and local governments.

B. Output

The participants in the field reviews were generally agreed that the PSE program was increasing the output of services in state and local governments and in the community organizations that had PSE employees. However, it was the assessment of most of those who made presentations that the project mode of operation was resulting in a smaller service increment than the nonproject activities.

With respect to the nonproject activities, the general view was that these positions had been used to expand or extend the delivery of regular services.

It was often stressed that these were new services and that, in the absence of the PSE, the services would be reduced to previous levels. Areas of PSE activity frequently mentioned included: parks and recreational activities, public works activities (usually maintenance and rehabilitation), and public safety.

The participants were mixed on the extent to which the project's approach resulted in any increase in services. Some of the individuals making presentations saw some of the project activities as "leaf raking." Other field review participants felt that the project approach had focused the PSE jobs on tasks that would have longer lasting benefits (e.g., developing a park or starting a nonprofit newspaper) than just extending the day-to-day services in the community.

The prevailing view on the value of the output resulting from the project approach was somewhere in between. The consensus of the participants was that where some imagination and planning had gone into them, the projects were providing worthwhile services. There were also some examples of the problems that resulted from the lack of planning. (The lack of planning was often credited to the pressure on the programs to expand rapidly.)

The Commission was not given estimates of the value of the services being provided by PSE. The anecdotal evidence was that the program was effectively increasing the amount of services that states and localities could provide and that it justified the program outlays.

V. PROGRAM ADMINISTRATION

Given the different groups that were represented at the four field reviews (primarily prime sponsors and community organizations) it was inevitable that much of the discussion would focus on program implementation and administration. There was much that was brought out which will inform the Commission's discussions of the delivery system and possible modifications to it. Since this is only a summary of the proceedings it is impossible to delve into the many administrative and operational issues that emerged.

The field review participants stressed the view that many of the operational and administrative questions will have to be addressed in order to obtain a more effective public service employment program.

There were two areas that were repeatedly mentioned by the participants for the Commission's consideration. They were:

- Repeated stops and starts in program funding;
- Administrative costs.

A. Repeated Stops and Starts in Program Funding

The field review participants frequently discussed the way in which the program funding had been accomplished in the past. They pointed out that because of past uncertainty about the program's continuation, operations had been spastic--quick buildups followed by planning to phase the program out or terminate it abruptly. This uncertainty precluded most planning and was a major impediment to structuring programs

that would enhance the employability of the participants and add to the output of services.

The uncertainty about the future of the programs sometimes resulted in slots remaining vacant, while eligible people remained unemployed.

Another effect of the repeated stops and starts in PSE funding was the diversion of the program administrator's attention and time away from other program areas that required it. Several of the participants in the field reviews indicated that the PSE program had demanded and obtained too much of the program operators' time because of the several changes in size and mode of operation that had occurred, or had been seriously considered by the Congress or Administration.

Many of the field review participants suggested that the PSE programs should be given a long-term authorization and then be "forward-funded". They felt that the potential substitution problems that would arise from advance knowledge of the PSE allocations could be controlled, while the gains in planning and smoother operation would result in the program being more responsive to the needs of the enrollees. Many of those appearing at the field reviews urged that, at a minimum, the prime sponsors and program agents be guaranteed a base operating figure so that they could plan for at least that level of activity.

B. Administrative Costs

The field review participants generally approved of the increase in the amount of program funds that

could go to program administration. However, several of them made the point that there were still problems in this area.

The first problem that was raised by several of the participants was that as the scale of the PSE program increased the agencies providing the job slots were running out of unutilized (or underutilized) space, equipment and supervisory time. To accept additional PSE positions would mean, for some of these agencies, a need to increase their administrative capacities. The current administrative cost allowances would not permit them to make that kind of investment in plant and equipment. Given the program's uncertain future, few of them would do so out of their own funds--even if the funds were available. Representatives of some community organizations indicated that they could usefully employ many more PSE employees. However, due to their space and equipment limitations they would not be able to take any more people on. While none of the representatives of state or local governments indicated that they had reached the saturation point, due to administrative limitations, several indicated that they were approaching it.

The second problem area cited with regard to administrative costs had to do with the relationship between the administrative costs and the PSE jobs. Several agency representatives who contracted to provide PSE slots indicated that they had received only a portion of the administrative costs that were to support that job. They made the point that the

prime sponsor or program agent would keep some of the administrative costs for the operation of the overall CETA administrative system. This "peel off" of administrative costs required the actual supplier of the job to provide the funds for materials, space, equipment, etc., out of their own operating budgets.

Several of the representatives of these agencies supplying the slots stated the opinion that most of the prime sponsor or program agent administrative structure was already covered out of the Title I or Title II grants. They felt that the administrative costs should move with the job in order to assure that the wherewithal to make it productive (both in terms of output and training) was there.

VI. COMMUNITY ORGANIZATIONS

At the Commission's four field reviews, presentations were made by representatives of 20 community organizations. There was a substantial amount of diversity in their views on the CETA programs in general and on PSE in particular.

Community organizations play a significant role in the PSE programs. Under the regulations implementing the Title VI projects approach approximately one-third of all PSE activity should be conducted under the auspices of community organizations.

The representatives of the community organizations felt that there was a need to mandate increased participation of their organizations in the program. They indicated that the recent regulations requiring increased use of community organizations in the new Title VI PSE program were a major improvement.

The participants from community organizations also indicated that it was not enough for their agencies to be involved just in the program's operation. They also saw a need for increased consultation in the planning of the program. Without the involvement of community organizations in the early stages of the programs, these representatives felt that the needs of their constituents would be ignored, or not fully taken into account.

Many of the participants who represented community organizations stressed the view that the involvement of their organizations was necessary for two reasons. The first was that traditional governmental agencies would not reach the target populations, especially the most seriously disadvantaged. Many in the target population distrusted the government organizations. Many eligible individuals would be reluctant to go to the government

agencies looking for PSE jobs because of previous rejections when they applied for regular state or local jobs.

A second argument for an increased role for community organizations in the PSE program was that they provided services in locations not always well served by state and local government agencies. The participants indicated that the community organizations had more flexibility in both the types and locations of services they could deliver with PSE and they felt that this should be taken into account as the program was planned.

The representatives of the community organizations who addressed the question of transition noted a difference between community organizations and government agencies. Where most of the transition off of PSE in government agencies was onto public sector jobs, the community organizations' representatives indicated that their focus was on private sector jobs. However, it must again be noted that neither the community organizations nor the government agencies indicated that a large amount of transition had occurred or that it was a top program priority.

VII. FUTURE DIRECTIONS FOR PSE

It was the consensus of the field review participants that the PSE programs under Title II and Title VI of CETA had been successful in increasing employment and services. Many also felt that the program was reaching the portion of the labor force that did not typically have access to good jobs, public or private. And most of the participants argued for a continuation of CETA public service employment, with some modifications (not all of which were consistent). In addition to talking about the future of PSE under CETA, there was substantial discussion of the proposed welfare reform package which is not included in this paper. A few of the many suggestions about CETA-PSE are noted below.

- Most of those who attended the sessions asked that the program goals and objectives be more clearly defined.
- A large number of the participants emphasized the need to increase the training aspects of the program.
- There was strong sentiment for increased targeting on the economically disadvantaged, long-term unemployed.
- Most of the field review participants recommended, or supported, placing a limit on the duration of a program enrollee's participation in the program. A term of 18 months was most often suggested.
- There was almost universal support for increased transition and placement requirements.

- The participants suggested that the program was becoming increasingly categorical, both with respect to targeting and types of activities permissible. Most of the field review participants suggested that this should be reversed and that the flexibility of the program should be increased.
- Many of those who attended the field reviews asked for a long term program authorization and forward funding of appropriations. They expressed the need to have a clearer idea of the scale and mode of operation so that they could improve the program's effectiveness.
- There was strong support for increasing the wage ceiling.

APPENDIX A.

DATES, LOCATIONS AND REPRESENTATIVES AT THE NATIONAL COMMISSION FOR MANPOWER POLICY FIELD REVIEWS ON PUBLIC SERVICE EMPLOYMENT PROGRAMS

DATES AND LOCATIONS

1. SEATTLE, WASHINGTON
   September 21-22, 1977
   Seattle Airport Hilton Hotel

2. BOSTON, MASSACHUSETTS
   October 13-14, 1977
   Sheraton Boston Hotel

3. DENVER, COLORADO
   November 3-4, 1977
   Stouffers Denver Inn

4. NASHVILLE, TENNESSEE
   November 10-11, 1977
   Hilton Airport Inn

DISTRIBUTION OF REPRESENTATIVES AT NCMP FIELD REVIEWS

	SEATTLE	BOSTON	DENVER	NASHVILLE
TOTAL NUMBER OF PARTICIPANTS	12	13	19	16
DISTRIBUTION OF PARTICIPANTS:				
A. PRIME SPONSORS				
CITY	1	2	5	2
COUNTY	3	2	2	2
STATE	2	1	3	2
CONSORTIUM	1	2		1
B. COMMUNITY BASED ORGANIZATIONS				
URBAN LEAGUE	1	1	2	1
OIC OF AMERICA	2		2	2
SER - JOBS FOR PROGRESS	1	1	2	2
OTHERS		2		1
C. ORGANIZED LABOR	1	1		2
D. OTHER				
PARTICIPANTS		1	1	
VETERANS ORGANIZATIONS			1	
OTHER			1	1

APPENDIX B

ISSUES FOR DISCUSSION AT THE FIELD REVIEWS ON PSE

APPENDIX B

ISSUES FOR DISCUSSION AT THE NCMP FIELD REVIEWS ON PSE

What goals and objectives are developed by state and local governments for the PSE programs? How are these goals developed so that they are supportive of national goals; provide needed public services; and are supportive of other public services?

To what extent has PSE resulted in an increase in the provision of services by state or local governments? Has PSE been instrumental in maintaining the level of services where they would have otherwise been curtailed due to revenue reductions, increased costs or other factors? What types of services are being provided through the PSE programs? What types of agencies (e.g., public safety, sanitation, education) received PSE jobs? If the PSE program were reduced or phased out, to what extent would these services also be reduced or terminated?

To what extent has PSE resulted in an increase in the services provided by nonprofit community organizations? How has this changed as a result of the requirements of the Emergency Jobs Program Extension Act of 1976? What types of services are being provided by community organizations with the employment provided by PSE?

What is the ability of state and local governments to absorb national PSE jobs? To what extent can this be expanded by increased utilization of nonprofit community organizations? What has been the experience in implementing and increasing the PSE programs to date? What are the constraints to further increasing the size of the program?

What effect has the presence of the PSE program had on the personnel practices of state and local governments? Have changes been made to provide PSE employees with improved access to regular (i.e., non-PSE) jobs? Has the PSE program resulted in any changes in the composition of the regular employment of the employing jurisdiction in terms of race, sex, education, experience, or other characteristics? Can PSE be used as a means of

training the hard-to-employ and then obtaining access for them to permanent, unsubsidized employment?

What should be the areas of concern in consideration of phasing out or phasing down the current PSE programs? What areas should be considered if the target populations or mode of operation of the current programs are to be modified? To what extent and how do changes in the scale, mode of operation, target population and/or continuity of the program affect the delivery of needed public services?

* * *

SPECIAL REPORTS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

- *Proceedings of a Conference on Public Service Employment,* Special Report No. 1, May 1975.
- *Manpower Program Coordination,* Special Report No. 2, October 1975.
- *Recent European Manpower Policy Initiatives,* Special Report No. 3, November 1975.
- *Proceedings of a Conference on the Role of the Business Sector in Manpower Policy,* Special Report No. 4, November 1975.
- *Proceedings of a Conference on Employment Problems of Low Income Groups,* Special Report No. 5, February 1976.
- *Proceedings of a Conference on Labor's Views on Manpower Policy,* Special Report No. 6, February 1976.
- *Current Issues in the Relationship Between Manpower Policy and Research,* Special Report No. 7, March 1976.
- *The Quest for a National Manpower Policy Framework,* Special Report No. 8, April 1976.
- *The Economic Position of Black Americans; 1976,* Special Report No. 9, July 1976.
- *Reexamining European Manpower Policies,* Special Report No. 10, August 1976.
- *Employment Impacts of Health Policy Developments,* Special Report No. 11, October 1976.
- *Demographic Trends and Full Employment,* Special Report No. 12, December 1976.
- *Directions for a National Manpower Policy: A Report on the Proceedings of Three Regional Conferences,* Special Report No. 13, December 1976.
- *Directions for a National Manpower Policy: A Collection of Policy Papers Prepared for Three Regional Conferences,* Special Report No. 14, December 1976.
- *Adjusting Hours To Increase Jobs: An Analysis of the Options,* Special Report No. 15, September 1977.
- *Community Based Organizations in Manpower Programs and Policy: A Conference Report,* Special Report No. 16, October 1977.
- *The Need to Disaggregate the Full Employment Goal,* Special Report No. 17, January 1978.
- *The Effects of Increases in Imports on Domestic Employment: A Clarification of Concepts,* Special Report No. 18, January 1978.
- *The Transformation of the Urban Economic Base,* Special Report No. 19, February 1978.
- *Manpower and Immigration Policies in the United States,* Special Report No. 20, February 1978.
- *Dual Aspect Jobs,* Special Report No. 21, March 1978.
- *Labor Market Intermediaries,* Special Report No. 22, March 1978.

Reports listed above are available from the Commission at 1522 K Street, N.W., Washington, D.C. 20005.

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INTERIM AND ANNUAL REPORTS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

- An Interim Report to the Congress of the National Commission for Manpower Policy: *The Challenge of Rising Unemployment,* Report No. 1, February 1975.
- An Interim Report to the Congress of the National Commission for Manpower Policy: *Public Service Employment and Other Responses to Continuing Unemployment,* Report No. 2, June 1975.
- First Annual Report to the President and the Congress of the National Commission for Manpower Policy: *Toward a National Manpower Policy,* Report No. 3, October 1975.
- An Interim Report to the President and the Congress of the National Commission for Manpower Policy: *Addressing Continuing High Levels of Unemployment,* Report No. 4, April 1976.
- Second Annual Report to the President and the Congress of the National Commission for Manpower Policy: *An Employment Strategy for the United States-Next Steps,* Report No. 5, December 1976.
- An Interim Report to the Congress of the National Commission for Manpower Policy: *Job Creation Through Public Service Employment,* Report No. 6, March 1978.

Reports listed above are available from the Commission at 1522 K Street, N.W., Washington, D.C. 20005.

BOOKS PUBLISHED FOR THE NATIONAL COMMISSION FOR MANPOWER POLICY

which may be obtained from the publishers
at the addresses indicated below:

- *From School to Work: Improving the Transition,* Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price $3.00.
- *Employability, Employment and Income: A Reassessment of Manpower Policy,* Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.
- *Jobs for Americans:* Prentice Hall, Inc., Englewood Cliffs, New Jersey 07632, October 1976.